

PREDATOR BLOCKCHAIN CAPITAL CORP.

NOTICE OF SPECIAL MEETING
OF THE SHAREHOLDERS OF
PREDATOR BLOCKCHAIN CAPITAL CORP.

– and –

MANAGEMENT INFORMATION CIRCULAR

For Shareholder Meeting with respect to a Qualifying Transaction involving

**HIGHWOOD OIL COMPANY LTD.
and related and other matters**

Meeting to be held on January 22, 2019

Circular dated December 20, 2018

Neither the TSX Venture Exchange Inc. (the “Exchange”) nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Information Circular.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
OF PREDATOR BLOCKCHAIN CAPITAL CORP.

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the shareholders (the “**PBC Shareholders**”) of Predator Blockchain Capital Corp. (“**PBC**”) will be held on January 22, 2019 at Suite 1000, 250 2nd Street S.W., Calgary, Alberta at 10:00 a.m. (Calgary time) for the following purposes, as more particularly described in the enclosed management information circular (the “**Circular**”):

1. to consider and if thought appropriate, to pass with or without variation, a special resolution, and a resolution of the majority of the minority authorizing and approving the qualifying transaction (the “**Qualifying Transaction**”) involving PBC and Highwood Oil Company Ltd. (“**Highwood**”) and the amalgamation agreement made as of December 20, 2018 (“**Amalgamation Agreement**”) between PBC and Highwood, pursuant to which it is proposed that PBC and Highwood will amalgamate (the “**Amalgamation**”) and continue as an amalgamated corporation (“**Resulting Issuer**”), as more particularly described in the accompanying Circular;
2. to consider and, if thought appropriate, to pass with or without variation, a special resolution, authorizing and approving an amendment of the Articles of PBC by consolidating (the “**PBC Consolidation**”) all of PBC’s issued and outstanding common shares on the basis of one post-PBC Consolidation common share for every 53 pre-PBC Consolidation common shares, subject to adjustment as agreed to between PBC and Highwood, to be implemented should the Qualifying Transaction be approved and completed, as more particularly described in the accompanying Circular;
3. to consider and, if thought appropriate, to pass with or without variation, an ordinary resolution of shareholders, authorizing and approving PBC’s alternate stock option plan, to be implemented should the Qualifying Transaction be approved and completed, as more particularly described in the accompanying Circular;
4. to consider and, if thought appropriate, to pass with or without variation, an ordinary resolution of shareholders, authorizing and approving PBC’s alternate restricted share unit plan, to be implemented should the Qualifying Transaction be approved and completed, as more particularly described in the accompanying Circular; and
5. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Specific details of the matters proposed to be put before the Meeting are set forth in the Circular, which Circular forms a part of this notice of the Meeting.

The Qualifying Transaction will be completed pursuant to the amalgamation agreement between PBC and Highwood, a copy of which is appended as Appendix “K” to the Circular and is also available under PBC’s profile on SEDAR at www.sedar.com. A description of the Qualifying Transaction and the other matters to be dealt with at the Meeting is included in the Circular.

PBC Shareholders who are unable to attend the Meeting in person are requested to vote by proxy. A proxy will not be valid unless it is deposited with PBC’s transfer agent, Odyssey Trust Company (“Odyssey”), (i) by mail using the enclosed return envelope; (ii) by hand delivery to Odyssey at Suite 350 – 300 5th Avenue SW, Calgary, Alberta, T2P 3C4 or (iii) by fax at (800) 517-4553. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Calgary time) on January 18, 2019, or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

PBC Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.

The board of directors of PBC has fixed the record date for the Meeting at the close of business on December 18, 2018 (the “**Record Date**”). PBC Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he, she or it owns such shares, demands, not later than ten (10) days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case, such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 20th day of December, 2018.

BY ORDER OF THE BOARD

“Arif Shivji”

Arif Shivji
President, Chief Executive Officer,
Chief Financial Officer and Director

TABLE OF CONTENTS

	Page
MANAGEMENT INFORMATION CIRCULAR	1
Information Contained in this Circular.....	1
Defined Terms.....	1
Cautionary Note Regarding Forward-Looking Information.....	1
Currency Presentation	3
SUMMARY	4
The Meeting	4
The Qualifying Transaction.....	5
The Amalgamation.....	5
Highwood Private Placement	6
Interests of Insiders	6
Not a Non-Arm’s Length Qualifying Transaction.....	6
Related Party Transaction	6
Recommendations Regarding the Highwood QT; Reasons for Recommendation.....	7
Listing of PBC Shares and Highwood Shares, Market Price of PBC Shares.....	8
Estimated Funds Available to the Resulting Issuer.....	9
Selected Pro Forma Consolidated Financial Information.....	9
Officers and Directors	10
Conditional Listing.....	10
Sponsorship	10
Conflicts of Interest.....	10
Interests of Experts.....	11
Risk Factors.....	11
THE QUALIFYING TRANSACTION.....	12
Details of the Highwood QT	12
Background to the Highwood QT	13
Legal Aspects of the Highwood QT.....	13
Agreement.....	14
Effect of the Highwood QT.....	14
Officers and Directors of the Resulting Issuer	15
Principal Legal Matters – Canadian Securities Law Considerations.....	15
Recommendations Regarding the Highwood QT; Reasons for Recommendation.....	16
Conditional Listing.....	17

TABLE OF CONTENTS
(continued)

	Page
GENERAL INFORMATION CONCERNING THE MEETING AND VOTING	17
Time, Date and Place	17
Record Date, Voting Shares and Principal Shareholders	17
Solicitation of Proxies	17
Voting by Proxies	18
Beneficial PBC Shareholders	18
Revocation of PBC Proxies	20
Matters to be Considered	20
Quorum and Votes Required for Certain Matters	20
Interests of Certain Persons in Matters to be Acted Upon	21
PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING	21
The Amalgamation Resolution	21
The PBC Consolidation Resolution	21
The PBC Alternate Option Plan Resolution	22
The PBC Alternate RSU Plan Resolution	22
INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	23
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS	23
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	23
OTHER MATERIAL FACTS	23
SPONSORSHIP	23
RIGHTS OF DISSENT	24
INTEREST OF EXPERTS	25
LEGAL MATTERS	26
ADDITIONAL INFORMATION	26
APPROVAL OF THE BOARD	27
CERTIFICATE OF HIGHWOOD	29
ACKNOWLEDGEMENT - PERSONAL INFORMATION	30

TABLE OF CONTENTS
(continued)

	Page
APPENDIX A - INFORMATION CONCERNING PREDATOR BLOCKCHAIN CAPITAL CORP.	A-1
APPENDIX B - INFORMATION CONCERNING HIGHWOOD	B-1
APPENDIX C - INFORMATION CONCERNING THE RESULTING ISSUER	C-1
APPENDIX D - GLOSSARY	D-1
APPENDIX E - RESULTING ISSUER PRO FORMA FINANCIAL STATEMENTS	E-1
APPENDIX F - AMALGAMATION RESOLUTION.....	F-1
APPENDIX G - PBC CONSOLIDATION RESOLUTION	G-1
APPENDIX H - PBC ALTERNATE OPTION PLAN RESOLUTION	H-1
APPENDIX I - PBC ALTERNATE RSU PLAN RESOLUTION.....	I-1
APPENDIX J - ABCA SECTION 191	J-1
APPENDIX K - AGREEMENT	K-1
APPENDIX L - CHANGE OF AUDITOR PACKAGE	L-1

(This page has been left blank intentionally.)

MANAGEMENT INFORMATION CIRCULAR

Information Contained in this Circular

This Circular is delivered in connection with the solicitation of proxies by and on behalf of management of PBC for use at the Meeting, and any adjournment or postponement of such meeting. No person is authorized to give any information or make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized or as being accurate. For greater certainty, to the extent that any information provided on Highwood's website is inconsistent with this Circular, you should rely on the information provided in this Circular.

Information contained in this Circular (including the Appendices attached hereto) with respect to Highwood and certain information with respect to the Resulting Issuer has been provided by Highwood. PBC has relied upon Highwood for the accuracy of such information without independent verification. Although PBC has no knowledge that would indicate that any of the information provided by Highwood is untrue or incomplete, neither PBC nor any of its officers and directors assumes any responsibility for the accuracy or completeness of such information or any failure by Highwood to disclose facts or events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to PBC.

All summaries of and references to the Agreement in this Circular are qualified in their entirety by the complete text of the Agreement. The Agreement is attached as Appendix "K" hereto and is also available under PBC's profile on SEDAR at www.sedar.com. You are urged to read carefully the full text of the Agreement.

Information in this Circular is given as at December 20, 2018 unless otherwise indicated.

This Circular does not constitute an offer to sell or a solicitation of an offer to purchase any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

PBC Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own legal, tax, financial or other professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

Defined Terms

This Circular contains defined terms. For a list of certain of the defined terms used herein, see the "Glossary" in this Circular attached as Appendix "D" to this Circular.

Cautionary Note Regarding Forward-Looking Information

This Circular, including under the sections entitled "Summary", "The Qualifying Transaction", and "General Information Concerning the Meeting and Voting", and certain Appendices attached hereto, including Appendix "A", "Information Concerning Predator Blockchain Capital Corp.", Appendix "B", "Information Concerning Highwood", Appendix "C", "Information Concerning the Resulting Issuer", and Appendix "E", "Resulting Issuer Pro Forma Financial Statements", in addition to certain statements contained elsewhere in this Circular, documents incorporated by reference herein and accompanying Appendices, includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this Circular that address activities, events or developments that PBC or Highwood expect or anticipate will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of PBC's and Highwood's businesses, operations, plans and other such matters is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan",

“anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, information regarding: expectations regarding whether the Highwood QT will be completed, including whether conditions, including shareholder and regulatory approvals, to the Highwood QT will be satisfied, or the timing for completing the Highwood QT; expectations for the effects of the Highwood QT, the potential benefits and synergies of the Highwood QT; statements relating to the business and future activities of, and developments related to, PBC and Highwood after the date of this Circular and to the Resulting Issuer after effecting the Highwood QT; statements based on the audited financial statements of PBC or Highwood; expectations for other economic, business, environmental, regulatory and/or competitive factors related to PBC, Highwood and the Resulting Issuer; the Resulting Issuer’s business outlook following Completion of the Highwood QT; plans and objectives of management for future operations; forecast business results; anticipated financial performance; and other events or conditions that may occur in the future.

Investors are cautioned that forward-looking information is not based on historical facts but instead is based on reasonable assumptions and estimates of management of PBC at the time it was made and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, risks relating to the ability to complete the Highwood QT; the ability to obtain requisite shareholder and regulatory and stock exchange approvals, and the satisfaction of other conditions to the Highwood QT on the proposed terms; risks relating to governmental and environmental regulation; risks relating to timeline estimates and capital cost estimates; risks relating to financing activities; no unforeseen changes in the legislative and operating framework for the business of PBC and Highwood, as applicable; a stable competitive environment; no significant change occurring outside the ordinary course of business such as a natural disaster or other calamity; as well as those risk factors discussed in the Appendices attached hereto.

The forward-looking information in statements or disclosures in this Circular is based (in whole or in part) upon factors which may cause actual results, performance or achievements of PBC or Highwood, as applicable, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to PBC and Highwood, as applicable, including information obtained from third party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While PBC does not know what impact any of those differences may have, its business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things:

- the inability of PBC and Highwood, for any reason, to complete the Highwood QT, including the failure to obtain required shareholder approvals or the failure of PBC or Highwood to satisfy all of the conditions to closing as set out in the Agreement;
- the timing and unpredictability of regulatory actions relating to the oil and gas industry;
- a downturn in general economic conditions;
- the loss of key management or personnel;
- regulatory, legal or other setbacks with respect to its operations or business;
- conflicts of interest; and
- uninsurable risks.

Risks involving the Resulting Issuer that may affect results of operations, earnings and expected benefits of the Highwood QT are discussed under the heading “*Information Concerning Highwood– Risk Factors*” attached as Appendix “B” to this Circular. Although PBC has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or

intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and PBC (or the Resulting Issuer) does not undertake any obligation to revise or update any forward-looking information other than as required by applicable law.

PBC (or the Resulting Issuer) is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by securities laws. Because of the risks, uncertainties and assumptions contained herein, securityholders should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Please refer to the notes to the financial statements appended to this Circular, as applicable, for additional details regarding such judgments, estimates and assumptions.

PBC cautions that the above list of risk factors is not exhaustive. Other factors which could cause actual results, performance or achievements of PBC (or the Resulting Issuer) to differ materially from those contemplated (whether expressly or by implication) in the forward-looking statements or other forward-looking information contained herein are disclosed in PBC's publicly filed disclosure documents, including those disclosed under "*Information Concerning Highwood – Risk Factors*" attached as Appendix "B" to this Circular.

Currency Presentation

Each of PBC and Highwood reports in Canadian dollars. Accordingly, unless otherwise indicated, all references to "\$" in this Circular refer to Canadian dollars.

SUMMARY

The following is a summary of information relating to PBC, Highwood and the Resulting Issuer (assuming completion of the matters contemplated in this Circular) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular. PBC Shareholders are encouraged to read this Circular carefully and in its entirety. In this Circular, dollar amounts are expressed in Canadian dollars unless otherwise stated. Capitalized words and terms in this summary have the same meanings as set forth in the Glossary and elsewhere in this Circular.

The Meeting

Time, Date and Place of Meeting

The Meeting will be held on January 22, 2019 at Suite 1000, 250 - 2nd Street S.W., Calgary, Alberta at 10:00 a.m. (Calgary time).

The Record Date

The Record Date for determining the PBC Shareholders eligible to vote at the Meeting is December 18, 2018.

Purpose of the Meeting

The Meeting will be held for the following purposes:

1. to consider, and if thought appropriate, to pass with or without variation, the Amalgamation Resolution authorizing and approving the Highwood QT;
2. to consider, and if thought appropriate, to pass with or without variation, the PBC Consolidation Resolution authorizing and approving the PBC Consolidation, to be implemented should the Highwood QT be approved and completed;
3. to consider, and if thought appropriate, to pass with or without variation, the PBC Alternate Option Plan Resolution authorizing and approving the Resulting Issuer Stock Option Plan, to be implemented should the Highwood QT be approved and completed;
4. to consider, and if thought appropriate, to pass with or without variation, the PBC Alternate RSU Resolution authorizing and approving the Resulting Issuer RSU Plan, to be implemented should the Highwood QT be approved and completed; and
5. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Shareholder Approval

The Amalgamation Resolution must be approved by Minority Shareholder Approval by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting. In addition, to Minority Shareholder Approval, the Amalgamation Resolution requires the affirmative vote of not less than two-thirds of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

The PBC Consolidation Resolution requires the affirmative vote of not less than two-thirds of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

The PBC Alternate Option Plan Resolution and the PBC Alternate RSU Plan Resolution each require the affirmative vote of not less than a majority of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

See “*Particulars of the Matters to be Acted Upon at the Meeting*”.

The Qualifying Transaction

PBC was incorporated pursuant to the provisions of the ABCA on January 25, 2018, and completed the IPO as a CPC on April 3, 2018. As a CPC, PBC’s sole business since its incorporation has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses with a view to completing a Qualifying Transaction, and PBC will not carry on any other business prior to such completion.

PBC is listed on the Exchange under the trading symbol “PRED.P”. The Highwood QT will constitute PBC’s Qualifying Transaction under Policy 2.4. Following Completion of the Highwood QT, PBC will continue its existence as the Resulting Issuer under the proposed management and will be listed on the Exchange as a Tier 2 Oil and Gas Issuer.

To effect the Highwood QT, PBC and Highwood will amalgamate, pursuant to the Amalgamation Agreement, and continue, on a go-forward basis, as the Resulting Issuer.

The Completion of the Highwood QT is subject to certain approvals and conditions, including: (a) all regulatory approvals, such as the final approval of the Exchange, which includes, without limitation, the Exchange being satisfied that after the Completion of the Highwood QT, the Resulting Issuer will satisfy the Exchange’s minimum listing requirements for a Tier 2 issuer as prescribed by Policy 2.1; and (b) Minority Shareholder Approval at the Meeting. The Highwood QT is a Related Party Transaction under MI 61-101 but not a Non-Arm’s Length Qualifying Transaction within the meaning of Policy 2.4.

The Highwood QT will become effective at the time of Closing. If approved by PBC Shareholders, it is currently anticipated that the Closing Date for the Highwood QT will be on or about January 23, 2019.

As at the date of this Circular and other than 10,000,000 PBC Shares, 1,000,000 PBC Options entitling the holders thereof to acquire 1,000,000 PBC Shares at an exercise price of \$0.10 per PBC Share on the due exercise thereof and 400,000 PBC Agent Options entitling the holders thereof to acquire 400,000 PBC Shares at an exercise price of \$0.10 per PBC Share on the due exercise thereof, no other securities of PBC, whether convertible or otherwise, are issued and outstanding. As at the date of this Circular and other than 5,744,204 Highwood Shares, no other securities of Highwood, whether convertible or otherwise, are issued and outstanding.

Upon completion of the PBC Consolidation, but prior to Completion of the Highwood QT, PBC will have 188,679 PBC Shares issued and outstanding.

It is anticipated that immediately following the closing of the Highwood QT (assuming there are no changes resulting from the conversion of the existing convertible securities of PBC or to the outstanding PBC Shares other than pursuant to the PBC Consolidation and not including any shares issued as a result of the Highwood Private Placement), an aggregate of approximately 5,932,883 Resulting Issuer Shares will be issued and outstanding, of which it is anticipated that 5,744,204 Resulting Issuer Shares will be held by Highwood Shareholders (representing, on an undiluted basis, approximately 97% of the Resulting Issuer Shares), and approximately 188,679 Resulting Issuer Shares will be held by existing PBC Shareholders (representing, on an undiluted basis, approximately 3% of the Resulting Issuer Shares). Resulting Issuer Shares do not reflect the 4,400 to 8,800 Resulting Issuer Shares that are contemplated for the Highwood Private Placement. Completion of the Highwood QT is subject to the satisfaction of certain closing conditions as set out in the Agreement.

See “*The Qualifying Transaction – Details of the Highwood QT*”.

The Amalgamation

At the Meeting, PBC Shareholders will be asked to consider and approve the Amalgamation Agreement pursuant to which PBC and Highwood will amalgamate under the provisions of the ABCA to form the Resulting Issuer. At the Effective Time:

- each PBC Share (and other securities adjusted accordingly) will be consolidated on a ratio of 53:1;
- each holder of post-PBC Consolidation PBC Shares who is not a Dissenting PBC Shareholder shall receive one (1) fully paid and non-assessable Resulting Issuer Share for each post-PBC Consolidation PBC Share held, following which all such post-PBC Consolidation PBC Shares shall be cancelled;
- each one (1) PBC Option shall be exchanged for one (1) Resulting Issuer Option;
- each one (1) PBC Agent Option shall be exchanged for one (1) Resulting Issuer Agent Option;
- each holder of Highwood Shares shall receive one (1) fully paid and non-assessable Resulting Issuer Share for each one (1) Highwood Share, following which all such Highwood Shares shall be cancelled;

Highwood Private Placement

In order to satisfy the TSXV's listing requirements, Highwood will issue shares pursuant to a private placement prior to the closing of the Highwood QT. Highwood will target approximately 44 new board lots being issued through the issuance of 4,400 to 8,800 new Highwood Shares from treasury. Highwood Shares will be issued at a price of \$9.00 per share for anticipated proceeds of \$39,600 to \$79,200.

Interests of Insiders

The following table summarizes the shareholdings of the Insiders of PBC prior to and after the Completion of the Highwood QT:

Name and Municipality of Residence of Securityholder	Number of Shares prior to Completion of the Highwood QT	Percentage of class prior to Completion of the Highwood QT	Number of Shares after Completion of the Highwood QT	Percentage of class after Completion of the Highwood QT	Percentage of class after Completion of the Highwood Private Placement ⁽²⁾
Arif Shivji Victoria, BC	3,200,000	32.0%	60,377	1.02%	1.02%
Trevor Wong-Chor Calgary, Alberta	200,000	2.0%	3,774	0.06%	0.06%
Jarvis Williams Calgary, Alberta	800,000	8.0%	15,094	0.25%	0.25%
Stephen Holyoake ⁽¹⁾ Calgary, Alberta	800,000	8.0%	15,094	0.25%	0.25%

Notes:

- (1) Stephen Holyoake also owns shares in Highwood prior to the Highwood QT. Above figures reflect only his ownership in PBC.
- (2) Assumes issuance of 8,800 new shares under the Highwood Private Placement. No material change to percentages from assuming either lower limit (4,400 shares) or upper limit (8,800 shares) of shares issued.

Not a Non-Arm's Length Qualifying Transaction

It is the view of PBC that the proposed Highwood QT is a not a Non-Arm's Length Qualifying Transaction pursuant to Policy 2.4. See "*The Qualifying Transaction – Legal Aspects of the Highwood QT – Not a Non-Arm's Length Qualifying Transaction*".

Related Party Transaction

Pursuant to Policy 2.4, the Highwood QT is not a Non-Arm's Length Qualifying Transaction.

Pursuant to MI 61-101, Stephen Holyoake is a Related Party of PBC because he is also a director of Highwood.

Pursuant to MI 61-101, the Highwood QT is a Related Party Transaction because a Related Party of PBC is being issued securities of PBC.

Pursuant to MI 61-101, if a transaction is a Related Party Transaction, Minority Shareholder Approval of the Highwood QT is required.

As PBC is listed on the Exchange and no other stock exchange, MI 61-101 provides an exemption to the general requirement to obtain a valuation for a transaction that is a Related Party Transaction.

Minority Shareholder Approval requires the approval of the majority of the votes cast by minority shareholders at the Meeting pursuant to Part 8 of MI 61-101, which, among other things, requires excluding votes attached to PBC Shares that are beneficially owned or over which control is exercised by, among other things, an “interested party” (as defined by MI 61-101).

Pursuant to MI 61-101, an “interested party” means, among other things, a Related Party to the Related Party Transaction, unless such Related Party is a party only in its capacity as a holder of affected securities and is treated identically to the general body of holders in Canada of securities of the same class on a per security basis.

It is the view of PBC that Stephen Holyoake, although being a Related Party to the Highwood QT, is not an “interested party” within the definition of MI 61-101 because he is a party to the Highwood QT only in his capacity as a holder of Highwood Shares and will be treated identically to the remaining holders of the Highwood Shares on the issuance of the Resulting Issuer Shares. As such, PBC has determined that, although the Highwood QT is a Related Party Transaction, none of the PBC Shares over which Stephen Holyoake exercises control or discretion are required to be excluded for the Minority Shareholder Approval required for the Amalgamation Resolution.

Stephen Holyoake (a director and shareholder of each of Highwood and PBC) and Trevor Wong-Chor (a director and shareholder of PBC and a partner at DLA Piper (Canada) LLP, a law firm which provided legal services to PBC and provides legal services to Highwood (on a fee for services basis) declared their interest in the Highwood QT in each requisite instance and abstained from voting on matters relating to the Highwood QT.

If shareholder approval is obtained at the Meeting for the Amalgamation Resolution and all necessary regulatory approvals, including the final approval of the Exchange, have been obtained, the Board intends to complete the Highwood QT in accordance with the terms of the Agreement, a copy of which is attached as Appendix “K” to this Circular.

See “*The Qualifying Transaction – Legal Aspects of the Highwood QT – Related Party Transaction*” and “*– Exemption from Formal Valuation*”.

Recommendations Regarding the Highwood QT; Reasons for Recommendation

The Board (subject to the abstention of the interested directors) has unanimously approved the Agreement and unanimously recommends that the PBC Shareholders vote IN FAVOUR of the PBC Resolutions at the Meeting.

In making its recommendation, the Board considered, among other things, the expected benefits of the Highwood QT to PBC and the PBC Shareholders and other stakeholders, as the case may be, as well as the following factors:

- (i) the nature and strength of the Resulting Issuer’s existing business, together with the expected range of opportunities for growth in that business across industries, geographies and markets over time;

- (ii) the board of the Resulting Issuer will be comprised of a number of strong, independent directors with significant industry expertise and strong public company governance experience and other complementary skills that are expected to help provide oversight and insight that will facilitate the Resulting Issuer's future growth;
- (iii) the quality of the Resulting Issuer's expected management team, including their strong history of operating performance in the Resulting Issuer's business, their understanding of the potential growth opportunities and collective track records in strategy development and implementation;
- (iv) the opportunity for PBC Shareholders to continue to hold common shares in a public company listed on the Exchange and with meaningful business operations and operating cash flow, resulting in increased share trading liquidity and market capitalization that is attractive to a wider range of investors than is offered by the PBC Shareholders on a post Highwood QT basis;
- (v) the anticipated financial position of the Resulting Issuer, including its available liquidity following Completion of the Highwood QT, which is expected to support the business plan of the Resulting Issuer;
- (vi) the expected value of the outstanding Resulting Issuer Shares on a fully diluted basis; and
- (vii) the anticipated increased ability of the Resulting Issuer to access the capital markets in order to fund potential future growth opportunities.

The Board also considered a variety of risks and other potentially negative factors relating to the Highwood QT including those matters described under the heading "*Information Concerning Highwood – Risk Factors*" attached as Appendix "B" to this Circular, and the Board believes that, overall, the anticipated benefits of the Highwood QT to PBC outweigh these risks and negative factors.

In evaluating and approving the Agreement and in arriving at its conclusion to make the recommendations described above, the Board considered a number of factors, including those outlined above and such other factors, risks and uncertainties as it determined appropriate. In view of the wide variety of factors considered by the Board, and the complexity of these matters, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the factors, risks and uncertainties considered by it, including those outlined above. In addition, individual members of the Board may have assigned different weights to various factors.

See "*The Qualifying Transaction – Recommendations regarding the Highwood QT; Reasons for Recommendation*".

Listing of PBC Shares and Highwood Shares, Market Price of PBC Shares

The PBC Shares are currently listed on the Exchange under the trading symbol "PRED.P". The PBC Shares were halted from trading on November 2, 2018, pending the receipt and review by the Exchange of acceptable documentation regarding the Highwood QT, including the review of this Circular. The closing price of the PBC Shares on October 17, 2018, being the last day the PBC Shares were traded on the Exchange and the last trading day immediately preceding the announcement on November 9, 2018 of the entering into of a non-binding letter of intent with respect to the Highwood QT, was \$0.17. The PBC Shares remain halted as of the date of this Circular. See "*Information Concerning PBC*".

The Highwood Shares are not currently listed on any exchange. See "*Information Concerning Highwood*".

Following Completion of the Highwood QT, the Resulting Issuer Shares are anticipated to be listed on the Exchange under the trading symbol "HOCL". See "*Information Concerning the Resulting Issuer*".

Estimated Funds Available to the Resulting Issuer

The following table sets out information respecting the Resulting Issuer's sources of funds available upon Completion of the Highwood QT. The amounts shown in the table are estimates only and are based upon the information available to PBC as of the date hereof. The intended uses of such funds and/or the Resulting Issuer's development capital needs may vary based upon a number of factors. See "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" attached as Appendix "C" to this Circular.

Sources	Assuming Completion of the Transaction (\$)
Estimated working capital deficit of the Resulting Issuer as at November 30, 2018 ⁽¹⁾	(27,161,000)

Notes:

- (1) Highwood currently has a demand loan with a Canadian chartered bank for a maximum of \$38,000,000 of which \$33,000,000 has been drawn and therefore has a working capital deficit at November 30, 2018. The total estimate above is based on estimated working capital deficit of Highwood of approximately \$(27,750,000) as of November 30, 2018 and estimated working capital of PBC of approximately \$589,000 as of November 30, 2018. Excluding the demand loan, Highwood would have positive working capital of \$5,250,000.
- (2) Highwood is in the process of converting the demand loan to a committed term loan which would create an anticipated working capital surplus of \$5,839,000 for the Resulting Issuer at November 30, 2018. The conversion of the demand loan to a term loan is a closing condition of the Highwood QT.

Principal Purpose

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use its available funds on Completion of the Highwood QT. See "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" attached as Appendix "C" to this Circular.

Use of Funds	Assuming Completion of the Highwood QT
Drill and delineate Clearwater Resource Play	\$9,000,000 - \$12,000,000
Continue resource development at Red Earth with Q4	\$2,000,000
General and administrative expenses for the next 12 months	\$3,129,000
Total	\$14,129,000 - \$17,129,000

There may be circumstances where, for sound business reasons, the Resulting Issuer reallocates the funds. The Resulting Issuer may require additional funds in order to fulfill all of the Resulting Issuer's expenditure requirements and to meet its objectives, in which case the Resulting Issuer expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by the Resulting Issuer will be available if required.

Selected Pro Forma Consolidated Financial Information

The following table summarizes selected pro-forma consolidated financial information for the Resulting Issuer. The information should be read in conjunction with the Resulting Issuer's pro forma consolidated statement of financial position, operations and comprehensive loss and related notes and other financial information. See "*Resulting Issuer Pro Forma Financial Statements*" attached as Appendix "E" to this Circular.

	PBC (unaudited) as at September 30, 2018	Highwood (unaudited) as at September 30, 2018	Pro Forma Adjustments	Resulting Issuer Pro Forma as at September 30, 2018
Current Assets	\$588,504	\$32,608,893	\$(743,950)	\$32,453,447
Total Assets	\$588,504	\$122,308,195	\$(743,950)	\$122,152,749
Current Liabilities	\$-	\$57,813,347	\$-	\$57,813,347
Total Liabilities	\$-	\$93,868,799	\$-	\$93,868,799
Shareholders' Equity	\$588,504	\$28,439,396	\$(743,950)	\$28,283,950

Officers and Directors

In connection with the Highwood QT, the officers and directors of PBC are expected to resign and, upon completion of the Highwood QT, the directors and officers of the Resulting Issuer will be as follows:

Greg Macdonald – Chairman, President, CEO and Director

Graydon Glans – Chief Financial Officer & Secretary

Kelly McDonald – Vice President, Exploration

Stephen J. Holyoake – Director

Trevor Wong-Chor – Director

Arif Shivji - Director

See “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters of the Resulting Issuer*” attached as Appendix “C” to this Circular.

Conditional Listing

The Exchange has conditionally accepted the Highwood QT subject to PBC fulfilling all the requirements of the Exchange.

Sponsorship

Sponsorship for the PBC is required by Policy 2.4 and Policy 2.2 unless an exemption from the sponsorship requirement is granted to PBC by the Exchange. PBC has applied for, and has been granted, an exemption from the sponsorship requirement.

Conflicts of Interest

The proposed directors and officers of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors of the Resulting Issuer, any director in a conflict will be required to disclose his or her interest and abstain from voting on such matter.

To the best of PBC and the Resulting Issuer’s knowledge, other than as disclosed below and elsewhere in this Circular, there are no known existing or potential conflicts of interest among the Resulting Issuer and the

proposed directors and officers as a result of their outside business interests except that certain of the proposed directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies. Conflicts, if any, will be subject to the procedures and remedies prescribed by the ABCA, the Exchange and corporate and securities Laws, regulations and policies, as applicable.

In particular, both Stephen Holyoake (a director and shareholder of each of Highwood and PBC) and Trevor Wong-Chor (a director and shareholder of PBC and a partner at DLA Piper (Canada) LLP, a law firm which provided legal services to PBC and provides legal services to Highwood (on a fee for services basis) declared their interest in the Highwood QT in each requisite instance and abstained from voting on matters relating to the Highwood QT.

See “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters of the Resulting Issuer*” included as Appendix “C” to this Circular. and See “*Information Concerning Highwood – Risk Factors*” included as Appendix “B” to this Circular.

Interests of Experts

To the knowledge of PBC, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Circular or prepared or certified a report or valuation described or included in this Circular has a direct or indirect interest in the property of PBC, Highwood or the Resulting Issuer or in an associate or affiliate of PBC, Highwood or the Resulting Issuer. See “*Interests of Experts*”.

Risk Factors

There are certain risks that will be associated with the securities of the Resulting Issuer due to the nature of its business, the uncertainty related to the Completion of the Highwood QT and certain other factors. Shareholders should consider that the Resulting Issuer may not realize the anticipated benefits of the Highwood QT.

Shares of the Resulting Issuer will be a risky and speculative investment and are only suitable for those investors who are prepared to lose their entire investment.

PBC has no businesses or assets, other than cash and accounts receivable. PBC has no history of earnings and it has not paid any dividends and it is unlikely to pay any dividends in the immediate or foreseeable future.

If the Highwood QT is completed as contemplated, PBC and Highwood will amalgamate under the ABCA to form one entity to be named Highwood Oil Company Ltd., and the Resulting Issuer will continue the business of Highwood following Completion of the Highwood QT. Additionally, there are certain risks that the Resulting Issuer will face in its normal course of business, following Completion of the Highwood QT. These include risks relating to commodity prices, exploration risk, ability to raise capital, accidents, and other risks facing energy companies, including government regulation. See “*Information Concerning Highwood – Risk Factors*” attached as Appendix “B” to this Circular.

THE QUALIFYING TRANSACTION

Details of the Highwood QT

PBC was incorporated pursuant to the provisions of the ABCA on January 25, 2018, and completed the IPO as a CPC on April 3, 2018. As a CPC, PBC's sole business since its incorporation has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses with a view to completing a Qualifying Transaction, and PBC will not carry on any other business prior to such completion.

PBC is listed on the Exchange under the trading symbol "PRED.P". The Highwood QT will constitute PBC's Qualifying Transaction under Policy 2.4. Following Completion of the Highwood QT, PBC will continue its existence as the Resulting Issuer under the proposed management and will be listed on the Exchange as a Tier 2 Oil and Gas Issuer.

To effect the Highwood QT, PBC and Highwood have entered into the Agreement, pursuant to which PBC and Highwood shall take all steps required to complete the Amalgamation and, without limitation, use all reasonable commercial efforts to obtain the approval of the Amalgamation Resolution and the Highwood Amalgamation Resolution.

The Completion of the Highwood QT is subject to certain approvals and conditions, including: (a) all regulatory approvals, such as the final approval of the Exchange, which includes, without limitation, the Exchange being satisfied that after the Completion of the Highwood QT, the Resulting Issuer will satisfy the Exchange's minimum listing requirements for a Tier 2 issuer as prescribed by Policy 2.1; and (b) Minority Shareholder Approval at the Meeting. The Highwood QT is a Related Party Transaction under MI 61-101 but not a Non-Arm's Length Qualifying Transaction within the meaning of Policy 2.4.

The Highwood QT will become effective at the time of Closing. If approved by PBC Shareholders, it is currently anticipated that the Closing of the Highwood QT will be on or about January 23, 2019.

As at the date of this Circular and other than 10,000,000 PBC Shares, 1,000,000 PBC Options entitling the holders thereof to acquire 1,000,000 PBC Shares on the due exercise thereof and 400,000 PBC Agent Options entitling the holders thereof to acquire 400,000 PBC Shares on the due exercise thereof, no other securities of PBC, whether convertible or otherwise, are issued and outstanding. As at the date of this Circular and other than 5,744,204 Highwood Shares, no other securities of Highwood, whether convertible or otherwise, are issued and outstanding.

Upon completion of the PBC Consolidation, but prior to Completion of the Highwood QT, PBC will have 188,679 PBC Shares issued and outstanding.

It is anticipated that immediately following the closing of the Highwood QT (assuming there are no changes resulting from the conversion of the existing convertible securities of PBC or to the outstanding PBC Shares other than pursuant to the PBC Consolidation and not including any shares issued as a result of the Highwood Private Placement), an aggregate of approximately 5,932,883 Resulting Issuer Shares will be issued and outstanding, of which it is anticipated that 5,744,204 Resulting Issuer Shares will be held by Highwood Shareholders (representing, on an undiluted basis, approximately 97% of the Resulting Issuer Shares), and approximately 188,679 Resulting Issuer Shares will be held by existing PBC Shareholders (representing, on an undiluted basis, approximately 3% of the Resulting Issuer Shares). Completion of the Highwood QT is subject to the satisfaction of certain closing conditions as set out in the Agreement.

As a result of the Highwood QT, 26,415 Resulting Issuer Shares will be reserved for issuance to former holders of PBC Options and PBC Agent Options.

The following are the principal elements of the Highwood QT.

Background to the Highwood QT

The terms of the Highwood QT are the result of arm's length negotiations between PBC and Highwood and their respective advisors.

In mid-October 2018, PBC entered into discussions with Highwood regarding possible business arrangements between the parties. On November 8, 2018, PBC and Highwood entered into an amended letter of intent which set forth the principal terms and conditions of the Highwood QT. PBC issued a press release announcing the Highwood QT on November 9, 2018.

On December 20, 2018, PBC and Highwood executed the Agreement. The Agreement is attached as Appendix "K" to this Circular.

Legal Aspects of the Highwood QT

MI 61-101 and Policy 2.4 are intended to regulate certain transactions to ensure the protection and fair treatment of minority securityholders.

Not a Non-Arm's Length Qualifying Transaction

The Highwood QT is not a Non-Arm's Length Qualifying Transaction (pursuant to Policy 2.4) because it does not meet the definition of same ascribed by Policy 2.4. In particular, there is no party, including Associates or Affiliates of any party, to the Highwood QT that is a Control Person in both PBC and Highwood.

Related Party Transaction

Pursuant to MI 61-101, Stephen Holyoake is a Related Party of PBC because he is a director of PBC.

Pursuant to MI 61-101, the Highwood QT is a Related Party Transaction because a Related Party of PBC is being issued securities of PBC. In particular, Stephen Holyoake (a Related Party of PBC), is a beneficiary of the Agreement in his capacity as a Highwood Shareholder and is, therefore, being issued certain of the post-PBC Consolidation PBC Shares by PBC.

Pursuant to MI 61-101, if a transaction is a Related Party Transaction, Minority Shareholder Approval of the proposed Qualifying Transaction is required.

As PBC is listed on the Exchange and no other stock exchange, MI 61-101 provides an exemption to the general requirement to obtain a valuation for a transaction that is a Related Party Transaction.

Minority Shareholder Approval requires the approval of the majority of the votes cast by minority shareholders at the Meeting pursuant to Part 8 of MI 61-101, which, among other things, requires excluding votes attached to PBC Shares that are beneficially owned or over which control is exercised by, among other things, an "interested party" (as defined by MI 61-101).

Pursuant to MI 61-101, an "interested party" means, among other things, a Related Party to the Related Party Transaction, unless such Related Party is a party only in its capacity as a holder of affected securities and is treated identically to the general body of holders in Canada of securities of the same class on a per security basis.

It is the view of PBC that Stephen Holyoake, although being a Related Party to the Highwood QT, is not an "interested party" within the definition of MI 61-101 because he is a party to the Highwood QT only in his capacity as a holder of Highwood Shares and will be treated identically to the general body of holders in Canada of Highwood Shares on a per security basis. As such, PBC has determined that, although the Highwood QT is a Related Party Transaction, none of the PBC Shares over which Stephen Holyoake exercises control or discretion are required to be excluded for the Minority Shareholder Approval that is required for the approval of the Amalgamation Resolution.

Stephen Holyoake (a director and shareholder of each of Highwood and PBC) and Trevor Wong-Chor (a director and shareholder of PBC and a partner at DLA Piper (Canada) LLP, a law firm which provided legal services to PBC and provides legal services to Highwood (on a fee for services basis) declared their interest in the Highwood QT in each requisite instance and abstained from voting on matters relating to the Highwood QT.

Exemption from Formal Valuation

MI 61-101 provides that, unless exempted, an issuer proposing to carry out a Related Party Transaction is required to engage an independent valuator to prepare a formal valuation of the affected securities and to provide to the holders of the affected securities a summary of such valuation. In connection with the Highwood QT, an exemption from this valuation requirement is available pursuant to MI 61-101, because none of the securities of PBC are listed or quoted on any of the exchanges or markets listed in MI 61-101.

Prior Valuations

MI 61-101 requires PBC to disclose any prior valuations of PBC or their securities or material assets made in the 24 months preceding the date of this Circular, whether or not prepared by an independent valuator, that, if disclosed, would reasonably be expected to affect the decision of a PBC Shareholder to vote for or against the Amalgamation Resolution, or to retain or dispose of his, her or its PBC Shares. After reasonable inquiry, neither PBC nor any director or any senior officer of PBC has knowledge of any such prior valuation.

Agreement

In addition to the foregoing general description of certain material terms and conditions of the Agreement, the full text of Agreement is attached as Appendix “K” to this Circular and is also available under PBC’s profile on SEDAR at www.sedar.com. PBC Shareholders are encouraged to read the Agreement in its entirety. All summaries of and references to the Agreement in this Circular are qualified in their entirety by the complete text of the Agreement.

Except for the Agreement’s status as a contractual document that establishes and governs the legal relationship among the parties thereto with respect to the Highwood QT, its text is not intended to be, and should not be interpreted as, a source of factual, business or operational information about PBC or Highwood. The Agreement contains representations, warranties and covenants that are qualified and limited, including by information disclosed to Highwood or PBC in connection with the execution of the Agreement and certain information disclosed in public filings with Canadian securities regulatory authorities. Representations and warranties may be used as a tool to allocate risks between the respective parties to the Agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to standards of materiality that differ from what may be viewed as material to PBC Shareholders. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this Circular. Shareholders may not directly enforce or rely upon the terms and conditions of the Agreement but should consider all information disclosed by Highwood and PBC, including, in the case of PBC, in its public filings with Canadian securities regulatory authorities.

Effect of the Highwood QT

As a result of the Highwood QT:

- the issued and outstanding PBC Shares will be consolidated on the basis of one post-PBC Consolidation PBC Share for every 53 pre-PBC Consolidated PBC Shares, subject to adjustment as agreed to between PBC and Highwood;
- each post-PBC Consolidation PBC Share which is outstanding prior to the Closing shall be cancelled and in its place its holder shall receive in exchange therefor one Resulting Issuer Share;
- the name of the Resulting Issuer will be “Highwood Oil Company Ltd.”;

- each PBC Agent Option which is outstanding prior to the Closing shall be cancelled and its holder shall receive in exchange therefor one Resulting Issuer Agent Option, having the same terms and conditions, including the term to expiry, conditions to and manner of exercise, as the PBC Agent Option for which it was exchanged, after having given effect to the Highwood QT (including the PBC Consolidation and the Exchange Ratio); and
- each PBC Option which is outstanding prior to the Closing shall be cancelled and in its place its holder shall receive in exchange therefor one Resulting Issuer Option, having the same terms and conditions as the cancelled PBC Options, including the term to expiry, vesting conditions and manner of exercising, after having given effect to the Highwood QT (including the PBC Consolidation and the Exchange Ratio);

It is anticipated that immediately following the closing of the Highwood QT (assuming there are no changes resulting from the conversion of the existing convertible securities of PBC or to the outstanding PBC Shares other than pursuant to the PBC Consolidation and not including any shares issued as a result of the Highwood Private Placement), an aggregate of approximately 5,932,883 Resulting Issuer Shares will be issued and outstanding, of which it is anticipated that 5,744,204 Resulting Issuer Shares will be held by Highwood Shareholders (representing approximately 97% of the Resulting Issuer Shares), and approximately 188,679 Resulting Issuer Shares will be held by existing PBC Shareholders (representing approximately 3% of the Resulting Issuer Shares). It is further anticipated that no post-PBC Consolidated PBC Shares will be reserved for issuance pursuant to outstanding convertible securities upon the closing of the Highwood QT, other than up to 7,547 Resulting Issuer Shares issuable upon exercise of outstanding Resulting Issuer Agent Options, and up to 18,868 Resulting Issuer Shares issuable upon exercise of outstanding Resulting Issuer Options. The Highwood QT values the PBC Shares at \$9.00 per PBC Share (on a post-PBC Consolidation basis) for aggregate share consideration issuable to Highwood Shareholders of approximately \$51,698,000.

Officers and Directors of the Resulting Issuer

In connection with the closing of the Highwood QT, the officers and directors of PBC are expected to change such that, upon completion of the Highwood QT, the directors and officers of the Resulting Issuer will be as follows:

Greg Macdonald – Chairman, President, CEO and Director

Graydon Glans – Chief Financial Officer & Secretary

Kelly McDonald – Vice President, Exploration

Stephen J. Holyoake – Director

Trevor Wong-Chor – Director

Arif Shivji - Director

See “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters of the Resulting Issuer*” attached as Appendix “C” to this Circular.

Principal Legal Matters – Canadian Securities Law Considerations

The distribution of the Resulting Issuer Shares pursuant to the Agreement will constitute a distribution of securities which is exempt from the prospectus requirements of Canadian securities Laws. The Resulting Issuer Shares may be resold in each of the provinces of Canada provided the trade is not a “control distribution” as defined in National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators, no unusual effort is made to prepare the market or create a demand for those securities, no extraordinary commission or consideration is paid in respect of that sale and, if the selling security holder is an insider or officer of PBC, the insider or officer has no reasonable grounds to believe that PBC is in default of securities Laws.

Recommendations Regarding the Highwood QT; Reasons for Recommendation

The Board, after carefully considering the Highwood QT, have unanimously determined (subject to the abstention of the interested directors Stephen J. Holyoake and Trevor Wong-Chor) that the Highwood QT is fair, from a financial point of view, to PBC Shareholders and is in the best interests of PBC and the PBC Shareholders.

The Board (subject to the abstention of the interested directors) has unanimously approved the Agreement and unanimously recommends that the PBC Shareholders vote IN FAVOUR of the PBC Resolutions at the Meeting.

In making its recommendation, the Board considered, among other things, the expected benefits of the Highwood QT to PBC and the PBC Shareholders and other stakeholders, as the case may be, as well as the following factors:

- (a) the nature and strength of the Resulting Issuer's existing business, together with the expected range of opportunities for growth in that business across industries, geographies and markets over time;
- (b) the board of the Resulting Issuer will be comprised of a number of strong, independent directors with significant industry expertise and strong public company governance experience and other complementary skills that are expected to help provide oversight and insight that will facilitate the Resulting Issuer's future growth;
- (c) the quality of the Resulting Issuer's expected management team, including their strong history of operating performance in the Resulting Issuer's business, their understanding of the potential growth opportunities and collective track records in strategy development and implementation;
- (d) the opportunity for both PBC and, in particular, Highwood Shareholders to hold common shares in a public company listed on the Exchange and with meaningful business operations and operating cash flow, resulting in increased share trading liquidity and market capitalization that is attractive to a wider range of investors than is offered by either of PBC or Highwood to their respective shareholders prior to the Highwood QT;
- (e) the anticipated financial position of the Resulting Issuer, including its available liquidity following Completion of the Highwood QT which is expected to support the business plan of the Resulting Issuer;
- (f) the expected value of the outstanding Resulting Issuer Shares on a fully diluted basis; and
- (g) the anticipated increased ability of the Resulting Issuer to access the capital markets in order to fund potential future growth opportunities.

The Board also considered a variety of risks and other potentially negative factors relating to the Highwood QT including those matters described under the heading "*Information Concerning the Highwood – Risk Factors*" attached as Appendix "B" to this Circular, and the Board believes that, overall, the anticipated benefits of the Highwood QT to PBC outweigh these risks and negative factors.

In evaluating and approving the Agreement and in arriving at its conclusion to make the recommendations described above, the Board considered a number of factors, including those outlined above and such other factors, risks and uncertainties as it determined appropriate. In view of the wide variety of factors considered by the Board, and the complexity of these matters, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the factors, risks and uncertainties considered by it, including those outlined above. In addition, individual members of the Board may have assigned different weights to various factors.

The foregoing discussion of the information and factors reviewed by the Board is not, and is not intended to be, exhaustive. The recommendations of the Board were each made after consideration of the above noted factors in light of the Board's collective knowledge of the business, financial condition and prospects of PBC.

Conditional Listing

The Exchange has conditionally accepted the Highwood QT subject to PBC fulfilling all of the requirements of the Exchange.

GENERAL INFORMATION CONCERNING THE MEETING AND VOTING

Time, Date and Place

The Meeting will be held at 1000, 250 2nd Street S.W., Calgary, Alberta T2P 0C1 on January 22, 2019 at 10:00 a.m. (Calgary time) as set forth in the PBC Notice of Meeting.

Record Date, Voting Shares and Principal Shareholders

The Board has fixed the record date for the Meeting at the close of business on December 18, 2018 (the "**Record Date**"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, demands, not later than ten (10) days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

PBC's authorized capital consists of an unlimited number of PBC Shares. As at the Record Date, PBC has 10,000,000 PBC Shares issued and outstanding, each share carrying the right to one vote.

To the knowledge of the directors and senior officers of PBC, as of the date of this Circular, no person owns, directs, or controls, directly or indirectly, 10% or more of the issued and outstanding PBC Shares, other than as follows:

Name	Number of PBC Shares Owned or Controlled⁽¹⁾	Percent of Outstanding PBC Shares⁽²⁾
Arif Shivji, Victoria, BC	3,200,000	32.0%

Notes:

- (1) Based on information disclosed in the public filings of the applicable party.
- (2) Based on a total of 10,000,000 PBC Shares issued and outstanding as at the date of this Circular.

As at the Record Date, the directors and officers of PBC, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 5,000,000 PBC Shares or approximately 50% of the issued and outstanding PBC Shares.

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by management of PBC, for use at the Meeting and any adjournment or postponement thereof for the purposes set forth in the accompanying PBC Notice of Meeting. It is expected that the solicitation of proxies for the Meeting will be made primarily by mail; however, directors, officers and employees of PBC may also solicit proxies by telephone, telecopier or in person in respect of the Meeting. **The solicitation of proxies for the Meeting is being made by or on behalf of management of PBC and PBC will bear their respective costs in respect of the solicitation of proxies for the Meeting.** In addition, PBC may

reimburse brokers and nominees for their reasonable expenses in forwarding proxies and accompanying materials to beneficial owners of PBC Shares.

Voting by Proxies

Enclosed with this Circular being sent to PBC Shareholders is the PBC Proxy. The persons named in the PBC Proxy are officers and/or directors of PBC. **PBC Shareholders whose names appear on the records of PBC as the registered holders of PBC Shares (the “Registered PBC Shareholders”) may choose to vote by proxy whether or not they are able to attend the Meeting in person. A Registered PBC Shareholder entitled to vote at the Meeting may appoint a person (who need not be an PBC Shareholder) other than the persons already named in the PBC Proxy to represent such PBC Shareholder at the Meeting by striking out the printed names of such persons and inserting the name of such other person in the blank space provided therein for that purpose.** A proxy will not be valid unless it is deposited with PBC’s transfer agent, Odyssey, (i) by mail using the enclosed return envelope; (ii) by hand delivery to Odyssey at Suite 350 – 300 5th Avenue SW, Calgary, Alberta, T2P 3C4 or (iii) by fax at (800) 517-4553. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Calgary time) on January 18, 2019, or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

In order to be effective, the PBC Proxy must be executed by a Registered PBC Shareholder, exactly as his or her name appears on the register of shareholders of PBC. Additional execution instructions are set out in the notes to the PBC Proxy. The PBC Proxy must also be dated where indicated. If the date is not completed, the PBC Proxy will be deemed to be dated on the day on which it was mailed to PBC Shareholders.

Management representatives designated in the PBC Proxy will vote the PBC Shares in respect of which they are appointed proxy in accordance with the instructions of the PBC Shareholder as indicated on the PBC Proxy, and, if the PBC Shareholder specifies a choice with respect to any matter to be acted upon, the PBC Shares will be voted accordingly. **In the absence of such direction, such PBC Shares will be voted by the PBC representatives named in the PBC Proxy in favour of the motions proposed to be made at the Meeting as set forth in this Circular and will be voted by such representatives on all other matters which may come before the Meeting in their discretion.**

The PBC Proxy, when properly signed, confers discretionary voting authority on those persons designated therein with respect to amendments or variations to the matters identified in the PBC Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Circular, PBC management does not know of any such amendments, variations or other matters. **However, if such amendments, variations or other matters which are not now known to PBC management should properly come before the Meeting, the persons named in the PBC Proxy will be authorized to vote the PBC Shares represented thereby in their discretion.**

Beneficial PBC Shareholders

The information set forth in this section is of significant importance to many PBC Shareholders as a substantial number of PBC Shareholders do not hold PBC Shares in their own name.

PBC Shareholders who do not hold their PBC Shares in their own name (the “**Beneficial PBC Shareholders**”) should note that only PBC Proxies deposited by Registered PBC Shareholders can be recognized and acted upon at the Meeting.

If PBC Shares are listed in an account statement provided to an PBC Shareholder by an intermediary, such as a brokerage firm, then, in almost all cases, those PBC Shares will not be registered in the PBC Shareholder’s name on the records of PBC. Such PBC Shares will more likely be registered under the name of the PBC Shareholder’s intermediary or an agent of that intermediary, and consequently the PBC Shareholder will be a Beneficial PBC Shareholder. In Canada, the vast majority of such shares are registered under the name CDS & Co. (being the registration name for the Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). The PBC Shares held by intermediaries or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial PBC Shareholder. Without specific instructions, an intermediary and its agents are prohibited from voting

PBC Shares for the intermediary's clients. Therefore, Beneficial PBC Shareholders should ensure that instructions respecting the voting of their PBC Shares are communicated to the appropriate person.

The Notice of Meeting, this Circular and the instrument of proxy or a voting instruction form and the request form (collectively, the "**Meeting Materials**") are being sent to both Registered PBC Shareholders and Beneficial PBC Shareholders. If you are a Beneficial PBC Shareholder and PBC or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. In this event, by choosing to send these materials to you directly, PBC (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Although Beneficial PBC Shareholders may not be recognized directly at the Meeting for the purpose of voting PBC Shares registered in the name of their broker, agent or nominee, a Beneficial PBC Shareholder may attend the Meeting as a proxyholder for a Registered PBC Shareholder and vote their PBC Shares in that capacity. Beneficial PBC Shareholders who wish to attend the Meeting and indirectly vote their PBC Shares as proxyholder for a Registered PBC Shareholder should contact their broker, agent or nominee well in advance of the Meeting to determine the steps necessary to permit them to indirectly vote their PBC Shares as a proxyholder.

BENEFICIAL PBC SHAREHOLDERS ARE URGED TO CONTACT THEIR BROKERS FOR INSTRUCTIONS ON HOW TO VOTE. All references to PBC Shareholders in this Circular and the accompanying PBC Proxy and PBC Notice of Meeting are to Registered PBC Shareholders unless specifically stated otherwise.

There are two kinds of beneficial shareholders, those who object to their name being made known to the issuers of securities that they own ("**OBOs**" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are ("**NOBOs**" for Non-Objecting Beneficial Owners).

Non-Objecting Beneficial Owners

Pursuant to NI 54-101, issuers can obtain a list of their NOBOs from intermediaries for distribution of proxy-related materials directly to NOBOs. As a result, NOBOs of PBC can expect to receive a scannable VIF from PBC's transfer agent, Odyssey. These VIFs are to be completed and returned to Odyssey in the envelope provided or by facsimile. In addition, Odyssey provides both telephone voting and internet voting as described on the VIF itself which contains complete instructions. Odyssey will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the PBC Shares represented by the VIFs they receive.

If you are a Beneficial PBC Shareholder and PBC or its agent has sent the Meeting Materials to you directly, please be advised that your name, address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding your securities on your behalf. By choosing to send the Meeting Materials to you directly, PBC (and not the intermediaries holding securities your behalf) has assumed responsibility for (i) delivering the proxy-related materials to you and (ii) executing your proper voting instructions as specified in the VIF.

Objecting Beneficial Owners

Beneficial PBC Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their PBC Shares are voted at the Meeting.

Applicable regulatory rules require intermediaries to seek voting instructions from OBOs in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by OBOs in order to ensure that their PBC Shares are voted at the Meeting. The purpose of the form of proxy or voting instruction form provided to an OBO by its broker, agent or nominee is limited to instructing the registered holder of the shares on how to vote such shares on behalf of the OBO.

The form of proxy provided to OBOs by intermediaries will be similar to the PBC Proxy provided to Registered PBC Shareholders. However, its purpose is limited to instructing the intermediary on how to vote your PBC Shares on your behalf. The majority of intermediaries now delegate responsibility for obtaining instructions from OBOs to Broadridge. Broadridge typically supplies voting instruction forms, mails those forms to OBOs, and asks those OBOs to return the forms to Broadridge or follow specific telephonic or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of the shares to be represented at the meeting. **An OBO receiving a voting instruction form from Broadridge cannot use that form to vote PBC Shares directly at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such PBC Shares are voted.**

Revocation of PBC Proxies

A PBC Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing deposited either at the registered office of PBC at any time up to and including the last Business Day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

Matters to be Considered

At the Meeting, PBC Shareholders will be asked to consider and vote upon the PBC Resolutions (being: (i) the Amalgamation Resolution, (ii) the PBC Consolidation Resolution, (iii) the PBC Alternate Option Plan Resolution, and (iv) the PBC Alternate RSU Plan Resolution) and such other matters as may properly come before the Meeting.

The Board unanimously recommends (subject to the abstention of the interested directors) that PBC Shareholders vote IN FAVOUR of the Amalgamation Resolution, the PBC Consolidation Resolution, the PBC Alternate Option Plan Resolution and the PBC Alternate RSU Plan Resolution at the Meeting. See "*The Qualifying Transaction – Recommendations Regarding the Highwood QT; Reasons for Recommendation*", and "*Particulars of Matters to be Acted Upon at the Meeting*".

Quorum and Votes Required for Certain Matters

A quorum for the transaction of business at the Meeting will be present if not less than two (2) persons are present at the Meeting holding or representing not less than 5% of the shares entitled to vote at the Meeting.

PBC is a Capital Pool Company, as defined in the policies of the Exchange. The Highwood QT will constitute PBC's Qualifying Transaction, as that term is defined in Policy 2.4, Capital Pool Companies, of the Exchange. Shareholder approval is required to facilitate the ancillary matters related to completion of the Qualifying Transaction, as described below.

The PBC Consolidation Resolution and the Amalgamation Resolution each require the affirmative vote of not less than two-thirds of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting. In addition, the Amalgamation Resolution must be approved by PBC Shareholders by Minority Shareholder Approval at the Meeting in person or by proxy.

The PBC Alternate Option Plan Resolution and the PBC Alternate RSU Plan Resolution each require the affirmative vote of not less than a majority of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

Interests of Certain Persons in Matters to be Acted Upon

Other than as set forth herein, management of PBC is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise of any director or nominee for director, or executive officer of PBC or anyone who has held office as such since the beginning of PBC's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

The Amalgamation Resolution

At the Meeting, the PBC Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a special resolution (the Amalgamation Resolution) to approve, among other things, the Amalgamation Agreement pursuant to which it is proposed PBC and Highwood will amalgamate to form the Resulting Issuer. The full text of the Amalgamation Resolution is attached as Appendix "F" to this Circular.

The Highwood QT is a Related Party Transaction (pursuant to MI 61-101) and, accordingly, the Amalgamation Resolution requires (among other things) Minority Shareholder Approval at the Meeting. Additionally, the Amalgamation Resolution requires the approval of not less than two thirds ($\frac{2}{3}$) of the votes cast in person or by proxy at the Meeting. Consequently, the Amalgamation and the Amalgamation Agreement will be approved when (i) the Amalgamation Resolution has been passed, with or without variation, by at least two-thirds ($\frac{2}{3}$) of the votes cast in respect of the Amalgamation Resolution by the PBC Shareholders, present in person or voting by proxy, at the Meeting, and (ii) Minority Shareholder Approval has been obtained.

If such approval is obtained at the Meeting for the Amalgamation Resolution and all necessary regulatory approvals, including the final approval of the Exchange, have been obtained, the Board intends to complete the Highwood QT in accordance with the terms of the Agreement, a copy of which is attached as Appendix "K" to this Circular.

See "*The Qualifying Transaction – Legal Aspects of the Highwood QT – Related Party Transaction*" for additional information.

Unless you indicate otherwise, the persons designated as proxyholders in the accompanying form of PBC Proxy will vote the PBC Shares represented by such form of PBC Proxy FOR the Amalgamation Resolution.

The Board unanimously (subject to the abstention of the interested directors) recommends that PBC Shareholders vote FOR the Amalgamation Resolution at the Meeting. See "*The Qualifying Transaction – Recommendations regarding the Highwood QT; Reasons for Recommendation*".

It is a condition precedent to the Completion of the Highwood QT that the PBC Shareholders approve the Amalgamation Resolution. If the Amalgamation Resolution does not receive the requisite approval, the Highwood QT will not proceed.

The PBC Consolidation Resolution

PBC intends to consolidate its share capital prior to the completion of the Amalgamation. Accordingly, PBC proposes that, subject to obtaining all required regulatory and shareholder approvals, PBC's issued and outstanding share capital be consolidated on the basis of one post-PBC Consolidation PBC Share for every 53 existing PBC Shares.

At the Meeting, the PBC Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, the PBC Consolidation Resolution, the full text of which is reproduced attached as Appendix "G" to this Circular, approving the amendment to the articles of PBC to provide that (i) the authorized capital of PBC be amended by consolidating all of the PBC Shares on the basis of one post-PBC Consolidation PBC Share for every 53 existing PBC Shares; and (ii) any fractional PBC Shares arising from the Consolidation of the PBC Shares will be rounded to the nearest whole Share.

As at the date of this Circular, PBC has 10,000,000 PBC Shares issued and outstanding. Upon completion of the PBC Consolidation, there will be approximately 188,679 post-PBC Consolidation PBC Shares issued and outstanding (prior to giving effect to the Highwood QT) on a non-diluted basis.

To be effective, the PBC Consolidation Resolution requires the affirmative vote of not less than two-thirds of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting. **Unless you indicate otherwise, the persons designated as proxyholders in the accompanying form of PBC Proxy will vote the PBC Shares represented by such form of PBC Proxy FOR the PBC Consolidation Resolution.**

The Board unanimously (subject to the abstention of the interested directors) recommends that PBC Shareholders vote FOR the PBC Consolidation Resolution at the Meeting. See “*The Qualifying Transaction – Recommendations regarding the Highwood QT; Reasons for Recommendation*”.

It is a condition precedent to the Completion of the Highwood QT that the PBC Shareholders approve the PBC Consolidation Resolution. If the PBC Consolidation Resolution does not receive the requisite approval, the Highwood QT will not proceed.

The PBC Alternate Option Plan Resolution

Upon the Completion of the Highwood QT, it is anticipated that the Resulting Issuer Board will implement the Resulting Issuer Stock Option Plan, in place of the PBC Option Plan. In the event that the Highwood QT is not completed, the Resulting Issuer Stock Option Plan will not be implemented by the Board.

At the Meeting, the PBC Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution approving the PBC Alternate Option Plan Resolution, the full text of which is reproduced attached as Appendix “H” to this Circular.

The material terms of the Resulting Issuer Stock Option Plan are set under “*Information Concerning Highwood – Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Stock Options – Option Plan Summary*” attached as Appendix “B” to this Circular.

To be effective, the PBC Alternate Option Plan Resolution requires the affirmative vote of a majority of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting. **Unless you indicate otherwise, the persons designated as proxyholders in the accompanying form of PBC Proxy will vote the PBC Shares represented by such form of PBC Proxy FOR the PBC Alternative Option Plan Resolution.**

The Board unanimously recommends that PBC Shareholders vote FOR the PBC Alternate Option Plan Resolution at the Meeting. See “*The Qualifying Transaction – Recommendations regarding the Highwood QT; Reasons for Recommendation*”.

The PBC Alternate RSU Plan Resolution

Upon the Completion of the Highwood QT, it is anticipated that the Resulting Issuer Board will implement the Resulting Issuer Stock RSU Plan. In the event that the Highwood QT is not completed, the Resulting Issuer RSU Plan will not be implemented by the Board.

At the Meeting, the PBC Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution approving the PBC Alternate RSU Plan Resolution, the full text of which is reproduced attached as Appendix “I” to this Circular.

The material terms of the Resulting Issuer RSU Plan are set under “*Information Concerning Highwood – Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Restricted Share Units – RSU Plan Summary*” attached as Appendix “B” to this Circular.

To be effective, the PBC Alternate RSU Plan Resolution requires the affirmative vote of a majority of the votes cast by PBC Shareholders present in person or represented by proxy and entitled to vote at the Meeting. **Unless you indicate otherwise, the persons designated as proxyholders in the accompanying form of PBC Proxy will vote the PBC Shares represented by such form of PBC Proxy FOR the PBC Alternative RSU Plan Resolution.**

The Board unanimously recommends that PBC Shareholders vote FOR the PBC Alternate RSU Plan Resolution at the Meeting. See “*The Qualifying Transaction – Recommendations regarding the Highwood QT; Reasons for Recommendation*”.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Circular, none of the informed persons (as such term is defined in NI 51-102) of PBC, any proposed director of PBC, or any associate or affiliate of any informed person or proposed director, has had any material interest, direct or indirect, in any transaction of PBC since the commencement of PBC’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect PBC or any of its subsidiaries.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth securities of PBC that are authorized for issuance under equity compensation plans as at the end of PBC’s most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, agent options and rights	Weighted-average exercise price of outstanding options, agent options and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)
Equity compensation plans approved by securityholders	1,000,000	0.10 per share	Nil
Equity compensation plans not approved by securityholders	-	-	-
Total	1,000,000	\$0.10 per Share	Nil

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof, no director, executive officer, employee or former director, executive officer or employee of PBC nor any of their associates or affiliates, is indebted to PBC nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by PBC.

OTHER MATERIAL FACTS

To management’s knowledge, there are no other material facts about PBC, the Resulting Issuer or the Highwood QT that are not otherwise disclosed in this Circular.

SPONSORSHIP

Sponsorship for the Highwood QT is required by Policy 2.4 and Policy 2.2 unless an exemption from the sponsorship requirement is granted to PBC by the Exchange. PBC has applied for, and has been granted, an exemption from the sponsorship requirement.

RIGHTS OF DISSENT

Registered PBC Shareholders are entitled to dissent with respect to the Amalgamation Resolution. The following description of the right of shareholders of a corporation to dissent is not a comprehensive statement of the procedures to be followed by a Dissenting PBC Shareholder and is qualified in its entirety by the reference to section 191 of the ABCA, which is attached to this Information Circular as Appendix “J”. A Dissenting PBC Shareholder who intends to exercise the right of dissent and appraisal should carefully consider and comply with the provisions of section 191 of the ABCA. Failure to strictly comply with the provisions of section 191 of the ABCA and to adhere to the procedures set out therein, may result in the loss of all rights thereunder.

Section 191 of the ABCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes.

Any Dissenting PBC Shareholder in compliance with section 191 of the ABCA, will be entitled, in the event the Amalgamation becomes effective, to be paid the fair value of PBC Shares held by such Dissenting PBC Shareholder, which fair value shall be the value of the PBC Shares determined as of the close of business on the day before the Amalgamation Resolution is adopted. PBC Shareholders are cautioned that fair value could be determined to be less than the value of the consideration per PBC Share payable pursuant to the terms of the Amalgamation.

Section 191 of the ABCA provides that a Dissenting PBC Shareholder may only make a claim under that section with respect to all of the shares of a class held by the Dissenting PBC Shareholder or on behalf of any one beneficial owner and registered in the Dissenting PBC Shareholder's name. The consequences of this provision are that a Registered PBC Shareholder may exercise the Dissent Rights only in respect of PBC Shares that are registered in that Registered PBC Shareholder's name.

In many cases, PBC Shares beneficially owned by a Non-Registered PBC Shareholder are registered either: (i) in the name of an Intermediary, or (ii) in the name of a clearing agency (such as CDS) of which the Intermediary is a participant. Accordingly, a “non-registered” PBC Shareholder will not be entitled to exercise its Dissent Rights directly (unless the PBC Shares are re-registered in the “non-registered” PBC Shareholder's name). A “non-registered” PBC Shareholder who wishes to exercise Dissent Rights should immediately contact the Intermediary with whom the “non-registered” PBC Shareholder deals in respect of his or her PBC Shares and either: (i) instruct the Intermediary to exercise the Dissent Rights on the “non-registered” PBC Shareholder's behalf (which, if the PBC Shares are registered in the name of CDS or other clearing agency, may require that such PBC Shares first be re-registered in the name of the Intermediary), or (ii) instruct the Intermediary to re-register such PBC Shares in the name of the “non-registered” PBC Shareholder, in which case the “non-registered” PBC Shareholder would be able to exercise the Dissent Rights directly.

A Registered PBC Shareholder who wishes to dissent must provide a notice of dissent (the “**Dissent Notice**”) to PBC, care of Merani Law LLP, 5100, 150 - 6th Avenue S.W., Calgary, Alberta T2P 3Y7 Attention: Ashif Merani to be received not later than 4:00 p.m., (Calgary time) on January 18, 2018 (or the second last business day prior to the date of the Meeting if the Meeting is not held on January 22, 2018). Failure to strictly comply with these dissent procedures may result in the loss or unavailability of the right to dissent.

The filing of a Dissent Notice does not deprive a Registered PBC Shareholder of the right to vote at the Meeting.

The ABCA does not provide, and PBC will not assume, that a proxy submitted instructing the proxyholder to vote against the Amalgamation Resolution, a vote against the Amalgamation Resolution, or an abstention constitutes a Dissent Notice, but a Registered PBC Shareholder need not vote its PBC Shares against the Amalgamation Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxyholder to vote FOR the Amalgamation Resolution does not constitute a Dissent Notice. However, any proxy granted by a Registered PBC Shareholder who intends to dissent, other than a proxy that instructs the proxyholder to vote against the Amalgamation Resolution, should be validly revoked in order to prevent the proxyholder from voting such PBC Shares in favour of the Amalgamation Resolution and thereby causing the Registered PBC Shareholder to forfeit his or her Dissent Rights. For greater certainty, no person shall be entitled to exercise Dissent Rights with respect to PBC Shares in respect of which a person has voted or has instructed a proxyholder to vote in favour of the Amalgamation Resolution.

After the adoption of the Amalgamation Resolution, either the Dissenting PBC Shareholder or PBC has the right to apply to the Court by originating notice for determination of the fair value of the Dissenting PBC Shareholder's PBC Shares. Following such application to the Court, PBC must, within ten days of being served with a copy of the originating notice if the applicant is a Dissenting PBC Shareholder, or within ten days of the date the application is returnable, if the applicant is PBC, send to each Dissenting PBC Shareholder a written offer to pay him or her an amount for his or her PBC Shares considered by the directors to be the fair value of such Dissenting PBC Shareholder's PBC Shares. Every offer made to a Dissenting PBC Shareholder shall be made on the same terms and shall contain or be accompanied by a statement showing how the fair value was determined. The fair value so determined could be more or less than the value received by PBC Shareholders who participate in the Amalgamation and could be based on considerations other than or in addition to the market price of PBC Shares.

A Dissenting PBC Shareholder may make an agreement with PBC for the purchase of such Dissenting PBC Shareholder's PBC Shares in an amount of the aforementioned offer, or otherwise, any time before the Court pronounces an order fixing the fair value of the PBC Shares.

A Dissenting PBC Shareholder is not required to give security for costs in respect of an application to the Court to fix the fair value of his or her PBC Shares, and except in special circumstances shall not be required to pay the costs of the application or appraisal subject to Court imposed limits.

On making of the above-mentioned application, the Court may make an order fixing the fair value of the PBC Shares of all Dissenting PBC Shareholders who are parties to the application, giving judgment in that amount against PBC and in favour of each of Dissenting PBC Shareholders, and fixing the time within which PBC must pay that amount to the Dissenting PBC Shareholders. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting PBC Shareholder calculated from the date on which the Dissenting PBC Shareholder ceases to have any rights as a Shareholder until the date of payment.

A Dissenting PBC Shareholder ceases to have any rights as a PBC Shareholder, other than the right to be paid the fair value of his or her PBC Shares, on the earliest of the Completion of the Highwood QT, the making of an agreement between the Dissenting PBC Shareholder and PBC, or the pronouncement of an order of the Court under Section 191 of the ABCA, determined as of the close of business on the last Business Day before the day on which the Amalgamation Resolution was adopted. Until any of the foregoing events occurs, the Dissenting PBC Shareholder may withdraw his or her dissent or PBC may rescind the Amalgamation Resolution in question and in either event proceedings under Section 191 of the ABCA shall be discontinued.

Notwithstanding the above, PBC cannot make a payment to any Dissenting PBC Shareholder under Section 191 of the ABCA if there are reasonable grounds for believing that PBC is, or would after the payment be, unable to pay its liabilities as they become due or the realizable value of PBC's assets would thereby be less than the aggregate of its liabilities. In such event, PBC shall notify each Dissenting PBC Shareholder that it is unable lawfully to pay Dissenting PBC Shareholders for their PBC Shares, in which case the Dissenting PBC Shareholder may, by written notice to PBC, within 30 days after receipt of such notice, withdraw his or her written objection, in which case such Dissenting PBC Shareholder shall be reinstated to his or her full rights as a PBC Shareholder. In the event the Dissenting PBC Shareholder does not withdraw its objection, it will retain status as a claimant against PBC, to be paid as soon as PBC is lawfully entitled to do so or, on a liquidation, to be ranked subordinate to creditors but prior to PBC Shareholders.

The foregoing is only a summary of the provisions of Section 191 of the ABCA regarding the rights of Dissenting PBC Shareholders, which are technical and complex. It is highly recommended that PBC Shareholders review a complete copy of Section 191 of the ABCA, attached as Appendix "J" to this Information Circular, and PBC Shareholders who wish to exercise Dissent Rights are advised to seek legal advice, as failure to comply strictly with the provisions of the ABCA may result in the loss or unavailability of their Dissent Rights.

INTEREST OF EXPERTS

RSM Alberta LLP are the current auditors of PBC. RSM Alberta LLP performed the audit in respect of the audited annual financial statements of PBC for the period from the date of incorporation, January 25, 2018, to

September 30, 2018. RSM Alberta LLP have advised that they are independent with respect to PBC within the meaning of the Rules of Professional Conduct as outlined by the Chartered Professional Accountants of Alberta.

RSM Alberta LLP are the current auditors of Highwood. Collins Barrow Calgary LLP performed the audit in respect of the audited consolidated annual financial statements of Highwood for the years ended December 31, 2017 and December 31, 2016. RSM Alberta LLP and Collins Barrow Calgary LLP have advised that they are independent with respect to Highwood within the meaning of the Codes of Professional Conduct as outlined by the Chartered Professional Accountants of Alberta.

Highwood's independent reserve evaluators in connection with the reserve report ("**Reserve Report**") dated effective March 31, 2018, with a preparation date of May 25, 2018 was GLJ Petroleum Consultants Ltd. ("**GLJ**"). To PBC's knowledge, no registered or beneficial interests, direct or indirect, in any securities or other property of Highwood or of one of Highwood's associates or affiliates: (i) were held by GLJ or by the "designated professionals" (as defined in Form 51-102F2) of GLJ, when GLJ prepared the Reserve Report; (ii) were received by GLJ or the designated professionals of GLJ after GLJ prepared the Reserve Report; or (iii) is to be received by GLJ or the designated professionals of GLJ. Neither GLJ nor any director, officer or employee of GLJ is or is expected to be elected, appointed or employed as a director, officer or employee of Highwood or the Resulting Issuer or of any associate or affiliate of Highwood or the Resulting Issuer.

LEGAL MATTERS

Certain legal matters in connection with the Highwood QT will be passed upon by DLA Piper (Canada) LLP on behalf of Highwood. As of the date hereof, the partners and associates of DLA Piper (Canada) LLP as a group, beneficially owned, directly or indirectly, less than one percent of the outstanding PBC Shares and Highwood Shares, respectively. DLA Piper (Canada) LLP previously represented PBC.

Mr. Trevor Wong-Chor, Partner of DLA Piper (Canada) LLP, is a member of the Board and a shareholder of PBC. In accordance with applicable Laws, Trevor Wong-Chor declared an interest in the Highwood QT in each requisite instance and abstained from voting on matters relating to the Highwood QT.

Certain legal matters in connection with the Highwood QT will be passed upon by Merani Law on behalf of PBC. As of the date hereof, the partners and associates of Merani Law as a group, beneficially owned, directly or indirectly, less than one percent of the outstanding PBC Shares and Highwood Shares, respectively.

ADDITIONAL INFORMATION

The information contained in this Circular is given as of December 20, 2018, except as otherwise indicated. Additional Information concerning PBC is available under PBC's profile on SEDAR at www.sedar.com. Additional financial information is provided in PBC's management's discussion and analysis and the consolidated financial statements for PBC's most recently completed financial year. A PBC Shareholder may contact PBC at: Predator Blockchain Capital Corp., Suite 1000, 250 - 2nd Street SW, Calgary, AB, T2P 0C1, Attention: President, to obtain a copy of PBC's most recent financial statements and management discussion and analysis.

APPROVAL OF THE BOARD

The contents and delivery to securityholders of this Circular have been approved by the Board. Where information contained in this Circular rests particularly within the knowledge of a Person other than PBC, PBC has relied upon information furnished by such Person.

DATED this December 20, 2018.

BY ORDER OF THE BOARD

(signed) "Arif Shivji"

Arif Shivji

President, Chief Executive Officer, Chief Financial Officer
and Director

December 20, 2018

The foregoing document contains full, true and plain disclosure of all material facts relating to the securities of Predator Blockchain Capital Corp. assuming completion of the Highwood QT.

(signed) "*Arif Shivji*"

Arif Shivji

President, Chief Executive Officer, Chief Financial Officer and Director

On behalf of the Board of Directors of PBC

(signed) "*Stephen J. Holyoake*"

Stephen J. Holyoake

Director

(signed) "*Jarvis Williams*"

Jarvis Williams

Director

CERTIFICATE OF HIGHWOOD

December 20, 2018

The foregoing, as it relates to Highwood Oil Company Ltd., constitutes full, true and plain disclosure of all material facts relating to the securities of Highwood Oil Company Ltd.

(signed) "Greg Macdonald"
Greg Macdonald
Chief Executive Officer, President and Director

(signed) "Graydon Glans"
Graydon Glans
Chief Financial Officer

On behalf of the Board of Directors of Highwood

(signed) "Stephen J. Holyoake"
Stephen J. Holyoake
Director

(signed) "Joel A. MacLeod"
Joel A. MacLeod
Director

THE PROMOTERS

(signed) "Joel A. MacLeod"
Joel A. MacLeod
Director

ACKNOWLEDGEMENT - PERSONAL INFORMATION

“Personal Information” means any information about an identifiable individual and includes information contained in any items in the attached information circular that are analogous to items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of Form 3B2 of the Exchange, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the exchange as defined in Appendix 6B to the Corporate Finance Manual (“Appendix 6B”) pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated as of December 20, 2018.

PREDATOR BLOCKCHAIN CAPITAL CORP.

(signed) “Arif Shivji”

Arif Shivji

President, Chief Executive Officer,
Chief Financial Officer and Director

**APPENDIX A
INFORMATION CONCERNING PREDATOR BLOCKCHAIN CAPITAL CORP.**

GLOSSARY OF TERMS

Capitalized terms used herein but not otherwise defined shall have the meaning ascribed thereto in Appendix “D” – “Glossary”.

CORPORATE STRUCTURE

PBC was incorporated on January 25, 2018 by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta). On March 16, 2018 the Articles of Incorporation were amended and restated to remove the private company restrictions set forth therein.

PBC’s head office is located at Suite 1000, 250 – 2nd Street SW, Calgary, Alberta T2P 0C1 and registered office is located at Suite 1000, 250 – 2nd Street SW, Calgary, Alberta T2P 0C1.

PBC is a reporting issuer in each of the Provinces of Alberta and British Columbia. The PBC Shares are listed on the TSXV under the symbol “PRED.P”.

GENERAL DEVELOPMENT OF THE BUSINESS

History

PBC is a CPC pursuant to the policies of the TSXV and to date has not carried on any operations. The principal business of PBC has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation agreement, subject to acceptance for filing by the TSXV. PBC does not have business operations or assets, other than cash and accounts receivable, and currently has conducted no business operations except for the identification and evaluation of potential acquisitions to complete a Qualifying Transaction including the evaluation of the Highwood QT.

Dated effective December 20, 2018, PBC and Highwood entered into the Amalgamation Agreement. See “Description of the Transaction – Amalgamation Agreement” in the Circular.

SELECTED FINANCIAL INFORMATION

The following table sets out selected audited and interim financial information for PBC. Such data has been derived from the PBC financial statements and should be read in conjunction with PBC’s historical financial statements, which are each included in this Circular under Schedule “FS” – “Index to Financial Statements and Management’s Discussion and Analysis” and with the information under the heading “Management’s Discussion and Analysis” below.

Category	As at and for the Three Month Period Ended September 30, 2018 (Unaudited) \$	As at and for the Three Month Period Ended June 30, 2018 (Unaudited) \$	As at and for the Three Month Period Ended March 31, 2018 (Unaudited) \$	As at and for the Period Ended February 7, 2018 (Audited) \$
General and Administrative Expenses ⁽¹⁾	549	44,156	24	-
Net Loss and Comprehensive Loss	(549)	(44,156)	(24)	-
Assets	588,504	589,053	303,516	300,000
Liabilities	-	-	3,540	-

Category	As at and for the Three Month Period Ended September 30, 2018 (Unaudited) \$	As at and for the Three Month Period Ended June 30, 2018 (Unaudited) \$	As at and for the Three Month Period Ended March 31, 2018 (Unaudited) \$	As at and for the Period Ended February 7, 2018 (Audited) \$
Share Capital	593,233	593,233	300,000	300,000
Deficit	(44,729)	(44,180)	(24)	-

Note:

- (1) The stock based compensation related to the 1,000,000 PBC Options at an exercise price of \$0.10 per PBC Share issued in the three month period ended June 30, 2018 was \$40,000 is included in this figure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the management's discussion and analysis of PBC for the interim period ended September 30, 2018, which are included in this Circular under "FS" – "Index to Financial Statements and Management's Discussion and Analysis".

DESCRIPTION OF SECURITIES

PBC is authorized to issue an unlimited number of PBC Shares and an unlimited number of PBC preferred shares, of which, there are currently 10,000,000 PBC Shares issued and outstanding. There are nil PBC preferred shares issued and outstanding. The holders of the PBC Shares are entitled to receive notice of and to attend any meeting of PBC Shareholders and are entitled to one vote for each PBC Share held. The holders of the PBC Shares are entitled to receive dividends, if, as and when declared by the PBC Board.

STOCK OPTION PLAN

As of December 20, 2018, PBC has reserved an aggregate of 1,000,000 PBC Shares at an exercise price of \$0.10 per Share for the issuance upon exercise of PBC Options granted to directors and officers of PBC. The price of PBC Options has been determined in reference to the market price.

PBC has adopted an incentive stock option plan (the "Option Plan") which provides that the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Corporation's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant. In connection with the foregoing, the number of Common Shares reserved for issuance to: (a) any individual will not exceed 5% of the issued and outstanding Common Shares; and (b) all consultants will not exceed 2% of the issued and outstanding Common Shares. In addition, the Option Plan provides that no more than 5% of the issued shares of the Corporation will be granted to any individual in any 12 month period; no more than 2% of the issued shares of the Corporation will be granted to any one consultant in any 12 month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements; and no more than an aggregate of 2% of the issued share of the Corporation will be granted to an employee conducting investor relations activities in any 12 month period. As required by the Policy 2.4 of the Exchange, the Corporation, as long as it is a CPC, will not grant options to any person providing investor relations activities, promotional or market-making services. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, employment, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any Common Shares acquired pursuant to the exercise of options under the Option Plan prior to Completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

PRIOR SALES

Prior Sales

Since the date of incorporation, 10,000,000 PBC Shares have been issued as described in the following table.

Date	Number of PBC Shares	Issue Price per PBC Share (\$)	Aggregate Issue Price (\$)	Nature of Consideration Received
February 6, 2018	6,000,000 ⁽¹⁾	0.05	300,000	Cash
April 3, 2018	4,000,000 ⁽²⁾	0.10	400,000	Cash

Notes:

- (1) These PBC Shares were placed in escrow with Odyssey Trust Company under an escrow agreement dated March 20, 2018. 5,000,000 of these PBC Shares are owned directly or indirectly by the officers and directors of PBC.
- (2) These PBC Shares were issued in connection with the PBC IPO. PBC also issued 400,000 PBC Agent Options at an exercise price of \$0.10 per Share in connection with the PBC IPO.

Stock Exchange Price

The PBC Shares are listed and posted for trading on the TSXV under the symbol "PRED.P". The following table sets out the high and low trading prices and aggregate volume of trading of the PBC Shares on the TSXV for the following periods (as reported by the TSXV).

Period	High (\$)	Low (\$)	Volume
Quarterly Information			
Q2 - 2018 (April - June) ⁽¹⁾	0.28	0.17	640,331
2018			
July	0.20	0.15	124,500
August	0.17	0.13	151,881
September	0.20	0.10	17,000
October	0.20	0.10	70,500
November 1 to 2 ⁽²⁾	0.17	0.17	-

Notes:

- (1) On April 3, 2018, PBC completed the PBC IPO and began trading under the symbol "PRED.P" as a CPC on April 6, 2018.
- (2) The PBC Shares were halted on November 2, 2018 at the request of PBC for the Highwood QT.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

PBC is a CPC pursuant to the policies of the TSXV, and until PBC completes a Qualifying Transaction, no compensation of any kind may be provided to PBC's directors or officers, directly or indirectly, by any means, including payment of salary, other than compensation that may be provided by way of PBC Options to purchase PBC Shares pursuant to the PBC Option Plan. None of the Named Executive Officers (as defined below) received compensation from PBC during the two most recently completed financial years other than PBC Options to purchase PBC Shares pursuant to the PBC Option Plan, as more particularly described below.

Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to PBC and its subsidiaries, if any, in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three most highly compensated individuals whose total compensation exceeded \$150,000 per annum (the “Named Executive Officers” or “NEOs”).

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year Ended December 31	Salary (\$)	Share-Based Awards (\$) ⁽¹⁾	Option-Based Awards (\$) ⁽²⁾⁽³⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Arif Shivji ⁽⁴⁾ Chief Executive Officer, President and Chief Financial Officer	2018	Nil	N/A	20,000	N/A	N/A	N/A	Nil	20,000

Notes:

- (1) “Share-Based Award” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) “Option-Based Award” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The “grant date fair value” has been determined by using the Black-Scholes option pricing model. See discussion below.
- (4) Mr. Shivji did not receive any additional compensation for serving as director of PBC.

Narrative Discussion

On April 3, 2018, PBC granted 500,000 PBC Options at an exercise price of \$0.10 per Share valued at \$20,000 to Arif Shivji. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of PBC, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each NEO of PBC as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
Arif Shivji Chief Executive Officer	500,000	0.10	April 3, 2023	35,000	N/A	N/A

Notes:

- (1) Unexercised “in-the-money” options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the PBC Shares as November 2, 2018, being \$0.17 per PBC Share and the exercise price of the PBC Options at \$0.10.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each NEO.

Name and Title	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Arif Shivji Chief Executive Officer	Nil	N/A	N/A

Note:

- (1) This amount is calculated based on the difference between the market price of the PBC Shares on the vesting date and the exercise price of the PBC Options on the vesting date.

Narrative Discussion

Please refer to “*Stock Option Plan*” in this Appendix “A” for a description of the PBC Option Plan.

Pension and Retirement Plans

PBC does not have any pension or retirement plan which is applicable to the NEOs.

Termination and Change of Control Benefits

PBC is not a party to any contract, agreement, plan or arrangement that provides for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of PBC, its subsidiaries or affiliates or a change in a NEO's responsibilities.

DIRECTOR COMPENSATION

PBC currently has four directors, one of which, Arif Shivji, is a Named Executive Officer. For a description of the compensation paid to the Named Executive Officer of PBC who also act as a director of PBC, see “*Executive Compensation*” in this Appendix “A”.

Director Compensation Table

The following table sets forth all compensation provided to directors who are not also NEOs (“**Outside Directors**”) of PBC.

Name	Fees Earned (\$)	Share-Based Awards (\$) ⁽¹⁾	Option-Based Awards (\$) ⁽²⁾⁽³⁾	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Stephen J. Holyoake	Nil	N/A	8,000	N/A	N/A	N/A	8,000
Jarvis Williams	Nil	N/A	8,000	N/A	N/A	N/A	8,000
Trevor Wong-Chor	Nil	N/A	4,000	N/A	N/A	N/A	4,000

Notes:

- (1) “**Share-Based Award**” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) “**Option-Based Award**” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The “grant date fair value” has been determined by using the Black-Scholes option pricing model. See discussion below.

Narrative Discussion

No compensation was provided to the Outside Directors. PBC does not pay fees to directors for services in that role, but provides its directors with PBC Options pursuant to the PBC Option Plan.

On April 3, 2018, PBC granted 200,000 PBC Options valued at \$8,000 to Stephen J. Holyoake, 200,000 PBC Options valued at \$8,000 to Jarvis Williams and 100,000 PBC Options valued at \$4,000 to Trevor Wong-Chor. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of PBC, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Outside Director of PBC as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
Stephen J. Holyoake	200,000	0.10	April 3, 2023	14,000	N/A	N/A
Jarvis Williams	200,000	0.10	April 3, 2023	14,000	N/A	N/A

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
Trevor Wong-Chor	100,000	0.10	April 3, 2023	7,000	N/A	N/A

Notes:

- (1) Unexercised “in-the-money” options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the PBC Shares as November 2, 2018, being \$0.17 per PBC Share and the exercise price of the PBC Options at \$0.10.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for Outside Directors of PBC.

Name	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Stephen J. Holyoake	Nil	N/A	N/A
Jarvis Williams	Nil	N/A	N/A
Trevor Wong-Chor	Nil	N/A	N/A

Note:

- (1) This amount is calculated based on the difference between the market price of the PBC Shares on the vesting date and the exercise price of the PBC Options on the vesting date.

Narrative Discussion

Please refer to “*Stock Option Plan*” in this Appendix “A” for a description of the PBC Option Plan.

Other Compensation

Other than as set forth herein, PBC did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth securities of PBC that are authorized for issuance under equity compensation plans as at the end of PBC's most recently completed financial year.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, agent options and rights	Weighted average exercise price of outstanding options, agent options and rights	Number of securities remaining available for issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)
Equity compensation plans approved by securityholders	1,000,000 PBC Shares	\$0.10 per PBC Share	Nil
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	1,000,000 PBC Shares	\$0.10 per PBC Share	Nil

AUDIT COMMITTEE

The Audit Committee is a committee of the PBC Board to which the PBC Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the shareholders, the relationship between PBC and the external auditor.

Pursuant to National Instrument 52-110 — *Audit Committees* (“NI 52-110”) PBC is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Terms of Reference

PBC must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached to this Appendix “A” as Schedule “A”.

Audit Committee Composition

The following are the members of the Audit Committee:

Stephen J. Holyoake	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Jarvis Williams	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Trevor Wong-Chor	Independent ⁽¹⁾	Financially Literate ⁽¹⁾

Note:

(1) As defined by NI 52-110.

Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of the quarterly and annual financial statements, dealing with the auditors, or involved as a member of the Audit Committee. All members have the ability to read, analyze, and understand the complexities surrounding the issuance of financial statements.

Stephen J. Holyoake

Mr. Holyoake is currently the President and Chief Executive Officer of Fireweed (since February, 2017). He is also currently a director of Tidewater Midstream and Infrastructure Ltd. (since April, 2016), and Highwood Oil (since January, 2016). Prior thereto, Mr. Holyoake was Vice President, Drilling and Completions of Tangle Creek Energy

Ltd. from May, 2012 to February, 2017. Prior thereto, Mr. Holyoake was Vice President, Operations of SkyWest Energy Corp. from May, 2010 to November, 2011.

Mr. Holyoake brings over 20 years of operations, engineering and management experience to the Corporation. He has worked in all disciplines of the oil and gas business from exploration to midstream operations. Mr. Holyoake is a Professional Engineer and obtained his Degree in Petroleum Engineering from Montana School of Mines in 1997 and a Petroleum Engineering Technology Diploma from the Southern Alberta Institute of Technology in 1993.

Jarvis Williams

Mr. Williams is currently Vice President, Midstream Operations & Logistics at Tidewater Midstream and Infrastructure Ltd. and has been since its inception in early 2015. From October 2012 until its sale in August 2014, Mr. Williams was Vice President of Midstream Operations and Logistics of Predator Midstream Ltd. Prior to joining Predator Midstream Ltd., Mr. Williams worked for SkyWest Energy Corp. until its sale to Marquee Energy Ltd. in December 2011. Prior thereto, he worked for PrimeWest Energy Trust and TAQA North Ltd.

Trevor Wong-Chor

Partner with DLA Piper (Canada) LLP (and its predecessor firms) since September, 2004. Prior thereto, Partner and Associate at Borden Ladner Gervais LLP (and its predecessor firms) from 1998 to 2004.

He is a corporate secretary or director of a number of public and private companies. Mr. Wong-Chor obtained a Bachelor of Arts degree from the University of Victoria in 1992 and a Bachelor of Laws degree from the University of Calgary in 1997.

Audit Committee Oversight

At no time since the commencement of PBC's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the PBC Board.

Reliance on Certain Exemptions

At no time since the commencement of PBC's most recently completed financial year has PBC relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee had adopted specific policies and procedures for the engagement of non-audit services as described in the terms of reference of the Audit Committee attached to this Appendix "A" as Schedule A under the heading "External Auditors".

External Auditor Service Fees

The aggregate fees billed by PBC's external auditors in each of the last two fiscal quarters for audit and other fees are as follows:

Three Month Period Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
March 31, 2018	Nil	Nil	Nil	Nil
June 30, 2018	\$ 11,500	Nil	Nil	Nil

Exemption

PBC is relying upon the exemption in section 6.1 of NI 52-110.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the PBC Board, the members of which are elected by and are accountable to the PBC Shareholders, and takes into account the role of the individual members of management who are appointed by the PBC Board and who are charged with the day to day management of PBC. The PBC Board is committed to sound corporate governance practices, which are both in the interest of the PBC Shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, PBC is required to disclose its corporate governance practices as summarized below.

Board of Directors

The PBC Board is currently comprised of four directors, Arif Shivji, Stephen J. Holyoake, Jarvis Williams and Trevor Wong-Chor.

Stephen J. Holyoake, Jarvis A. Williams and Trevor Wong-Chor are independent directors of PBC and have no ongoing interest or relationship with PBC other than their security holdings in PBC and serving as directors.

Arif Shivji, the Chief Executive Officer and the Chief Financial Officer of PBC, is management and, as a result, is not an independent director. The PBC Board is responsible for determining whether a director is an independent director.

National Policy 58-201 — *Corporate Governance Guidelines* suggests that the PBC Board of a public corporation should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who has no direct or indirect material relationship with PBC. A material relationship is a relationship which could, in the view of the PBC Board, reasonably interfere with the exercise of a director's independent judgement. The PBC Board is comprised of a majority of independent directors.

Directorships

The following directors of PBC are directors of other reporting issuers:

Director	Other Reporting Issuers
Arif Shivji	Hoist Capital Corp.
Stephen J. Holyoake	Hoist Capital Corp.
	Tidewater Midstream and Infrastructure Ltd.
Jarvis Williams	Hoist Capital Corp.
Trevor Wong-Chor	Rider Investment Capital Corp.

Orientation and Continuing Education

At present, each new director is given an outline of the nature of PBC's business, its corporate strategy, and current issues with PBC along with a description of the committees constituted by the PBC Board. New directors are also expected to be required to meet with management of PBC to discuss and better understand PBC's business and will be advised by counsel to PBC of their legal obligations as directors of PBC. The introduction and education process will be reviewed on an annual basis by the PBC Board and will be revised as necessary.

Ethical Business Conduct

The PBC Board has found that the fiduciary duties placed on individual directors by PBC's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the PBC Board in which the director has an interest have been sufficient to ensure that the PBC Board operates independently of management and in the best interests of PBC. The PBC Board

has also found that the in camera sessions of the independent directors held in conjunction with PBC Board meetings also help to ensure that directors exercise independent judgement in considering transactions and agreements.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of PBC and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of PBC also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the ABCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The PBC Board presently seeks and determines new nominees to the PBC Board, although no formal process has been adopted. The nominees are generally the result of recruitment efforts by the PBC Board members, including both formal and informal discussions among the PBC Board members and officers.

Compensation

PBC is a CPC pursuant to the policies of the TSXV, and until PBC completes a Qualifying Transaction, no compensation of any kind may be provided to PBC's directors or officers other than the PBC Options granted to PBC's directors and officers as disclosed above under "*Executive Compensation*".

Other Board Committees

PBC has no other standing committees at this time other than the Audit Committee as discussed above.

Assessments

The PBC Board has not implemented a process for assessing its effectiveness. As a result of PBC's size, its stage of development and the limited number of individuals on the PBC Board, the PBC Board has considered a formal assessment process to be inappropriate at this time.

MANAGEMENT CONTRACTS

During the most recently completed financial year, no management functions of PBC were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of PBC.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Other than as set forth below or in the management's discussion and analysis of PBC for the interim period ended June 30, 2018, PBC has not acquired any assets or services from any director or officer of PBC, or any shareholder who beneficially owns more than 10% of the PBC Shares.

Trevor Wong-Chor is a director of PBC and a partner of DLA Piper (Canada) LLP. DLA Piper (Canada) LLP acted as legal advisors to PBC previously in connection with the PBC IPO. Merani Law acts as legal advisors to PBC, including in respect of the Qualifying Transaction.

The Highwood QT, if completed, is considered not to be a Non-Arm's Length Qualifying Transaction.

LEGAL PROCEEDINGS

PBC is not currently a party to any legal proceedings, nor is PBC currently contemplating any legal proceedings, which are material to its business. Management of PBC is currently not aware of any legal proceedings contemplated against PBC.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of PBC is RSM Alberta LLP at Suite 1400, 777 – 8th Avenue SW, Calgary, Alberta T2P 3R5.

The auditor changed from Collins Barrow Calgary LLP (the “**Former Auditor**”) to RSM Alberta LLP (the “**Successor Auditor**”) effective as of December 19, 2018. Following the acquisition of substantially all the assets of the Former Auditor by the Successor Auditor (and related entities), the Former Auditor has resigned as auditor of the Corporation effective December 19, 2018.

In accordance with Part 4.11 of National Instrument 51-102 — Continuous Disclosure Obligations, the “Reporting Package”, which included the notice of change of auditor, letter from the former auditor, and the letter from the successor auditor, is attached hereto as Appendix “L”, and was filed with the necessary securities commissions and on SEDAR on December 19, 2018.

Odyssey Trust Company is the transfer agent and registrar for the PBC Shares at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

PBC has not entered into any material contracts since incorporation other than:

1. the TSXV Form 2F CPC escrow agreement among PBC, Odyssey Trust Company and certain shareholders of the Corporation (see also “*Escrowed Securities*” in Appendix C – “*Information Concerning the Resulting Issuer*”; and
2. the Amalgamation Agreement.

Copies of these agreements are available for inspection at the head office and registered office of PBC located at Suite 1000, 250 – 2nd Street SW, Calgary, Alberta T2P 0C1, during ordinary business hours until the Closing Date of the Transaction and for a period of 30 days thereafter.

SCHEDULE "FS"

INDEX TO FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Page

Historical Financial Statements and Management's Discussion and Analysis

Statement of Financial Position as at September 30, 2018 and Statements of Net & Comprehensive Loss, Changes in Shareholders' Equity and Cash Flows for the period from incorporation date of January 25 to September 30, 2018, including the notes thereto FS-1

Management's Discussion & Analysis with respect to the financial results for the period from incorporation date of January 25 to September 30, 2018, including the notes thereto FS-18

Predator Blockchain Capital Corp.
(A Capital Pool Corporation)

Financial Statements

For the Period from Date of Incorporation January 25, 2018
to September 30, 2018
(In Canadian Dollars)



RSM Alberta LLP

777 8 Avenue SW
Suite 1400
Calgary, AB T2P 3R5

T +1 403 298 1500
F +1 403 298 5814

rsmcanada.com

Independent Auditors' Report

To the Directors of
Predator Blockchain Capital Corporation

We have audited the accompanying financial statements of Predator Blockchain Capital Corporation, which comprise the statement of financial position as at September 30, 2018, and the statement of loss and comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the period from date of incorporation, January 25, 2018 to September 30, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements present fairly, in all material respects, the financial position of Predator Blockchain Capital Corporation as at September 30, 2018, and its financial performance and its cash flows for the period from the date of incorporation, January 25, 2018 to September 30, 2018, in accordance with International Financial Reporting Standards.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
December 20, 2018

Predator Blockchain Capital Corp.
Statement of Financial Position
September 30, 2018
(amounts in Canadian dollars)

September 30,
2018

Assets

Current Assets

Cash \$ 585,129

Accounts receivable 3,375

Total assets \$ 588,504

Liabilities

Current Liabilities \$ -

Shareholders' Equity

Share capital (note 4) 593,233

Contributed surplus 40,000

Deficit (44,729)

Total shareholders' equity 588,504

Total Liabilities and Shareholders' Equity \$ 588,504

See the accompanying Notes to the Financial Statements

Approved by the Board:

"signed"
Director

"signed"
Director

Predator Blockchain Capital Corp.
Statement of Loss and Comprehensive Loss
September 30, 2018
(amounts in Canadian dollars)

	For the period from date of incorporation January 25, 2018 to September 30, 2018
Revenue	\$ -
Expenses	
Office costs	4,729
Stock-based compensation (note 4)	40,000
Net loss before tax	(44,729)
Income tax expense (note 6)	-
Net loss and comprehensive loss	\$ (44,729)
Weighted average of common shares outstanding	
– basic	4,161,290
– fully diluted	4,161,290
Loss per share	
– basic	\$ (0.01)
– fully diluted	\$ (0.01)

See the accompanying Notes to the Financial Statements

Predator Blockchain Capital Corp.
Statement of Changes in Shareholders' Equity
September 30, 2018

(amounts in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders Equity
Balance, January 25, 2018	\$ -	-	-	\$ -
Issuance of common shares (note 4)	700,000	-	-	700,000
Stock-based compensation (note 4)		40,000	-	40,000
Share issue costs (note 4)	(106,767)	-	-	(106,767)
Net loss	-	-	(44,729)	(44,729)
Balance, September 30, 2018	\$ 593,233	\$ 40,000	\$ (44,729)	\$ 588,504

See the accompanying Notes to the Financial Statements

Predator Blockchain Capital Corp.
Statement of Cash Flows
September 30, 2018
(amounts in Canadian dollars)

For the period
from date of
incorporation
January 25, 2018
to September 30,
2018

Operating activities:

Net loss for the period	\$ (44,729)
Add: Stock-based compensation (note 4)	40,000
Changes in non-cash working capital	
Accounts receivable	(3,375)
Cash used in operating activities	(8,104)

Financing activities:

Proceeds from issuance of common shares (note 4)	700,000
Payments for share issue costs (note 4)	(106,767)
Cash from financing activities	593,233

Increase in cash during period	585,129
Cash, beginning of period	-
Cash, end of period	\$ 585,129

See the accompanying Notes to the Financial Statements

1. NATURE OF OPERATIONS

Predator Blockchain Capital Corporation (“the Company”) was incorporated under the Alberta Business Corporations Act on January 25, 2018. Predator is a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Company has not commenced operations and has no assets other than cash. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company, as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval.

According to the Exchange, any compensation or remuneration to management, the board, or any non-arm’s length parties is prohibited. The equity proceeds raised by the Company may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed QT, including valuations, technical assessments, fees for legal, accounting service, broker commissions and share issue costs.

The head office and the registered head office of the Company are located at Suite 1000, 250 – 2nd Street Avenue SW, Calgary, Alberta, T2P 0C1.

On December X, 2018, the Board of Directors approved these financial statements.

2. Basis of presentation

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

Basis of Measurement

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Foreign Currency

Functional currency: The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

Use of Estimates and Judgements

The timely preparation of the financial statements requires that management make estimates and use judgement regarding the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities as at the dated of the of the financial statements as and the reported amounts of expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the dated of the financial statements. Accordingly, the actual results may differ from estimated amounts as future events occur.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Key Sources of Estimation Uncertainty

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty that have a significant risk of causing adjustments to the carrying amount of assets and liabilities:

Stock Options and Agent Warrants

In estimating the fair value of stock options and agent warrants the Black-Scholes option pricing model is used, the Company uses assumptions related to the risk-free interest rate, expected option life, estimated forfeitures, estimated market price of the Company's shares, and estimated future volatility of the Company's share price.

Income Taxes

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

3. Significant Accounting Policies

Financial Instruments

Financial assets and liabilities, including derivatives, are recorded on the statement of financial position when the Company becomes a party to the financial instrument or derivative contract.

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's cash are classified as a financial asset measured at fair value through profit and loss. Accounts receivable is a financial asset measured at amortized cost using the effective interest rate method.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of the subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income. Fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. The Company will apply the simplified approach which requires expected lifetime credit losses to be recognized from initial recognition of any accounts receivables.

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

Issuance Costs

Issuance costs and share-based payments directly related to issuance of share capital are charged as a reduction against share capital.

Income Taxes

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the carry forward of unused tax credits and unused tax losses can be utilized. The exception is where the deferred income tax is relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences.

Share-based Payments

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense or issue cost is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates. No expense or issue cost is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing earnings attributable to equity shareholders by the weighted average number of common shares outstanding during the period excluding any contingently returnable shares from the date they become contingent. Diluted earnings per

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

share are determined by adjusting the weighted average number of common shares for the dilutive effect of share-based payments using the treasury stock method (if, and when, applicable). Under this method, stock options, whose exercise price is less than the average market price of the Company's common shares, are assumed to be exercised and the proceeds used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

Accounting Standards issued but not yet applied

Certain new mandatory standards, interpretations and amendments to existing standards, have been issued by the IASB or the IFRS Interpretations Committee, which the Company reasonably expects to be applicable for later periods are listed below. The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

IFRS 16 Leases, is intended to replace IAS 17 and will bring fundamental changes for all companies. The new standard is effective for annual reporting periods beginning on or after January 1, 2019, with early application permitted. The most significant financial reporting impacts of the changes include: all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria; the measurement and presentation of expenses will be significantly impacted as rent expense is removed and replaced by the recording of depreciation and financing expenses; the amount of profit (loss) recognized in a period will likely change as the timing of expenses is accelerated when applying the new standard which uses a finance lease model compared to a straight line operating lease expense; and key ratios may be impacted with the introduction of lease assets and liabilities on the statement of financial position and changes to the timing of expenses. Management is currently evaluating the potential impact of IFRS 16 on the financial statements.

4. SHARE CAPITAL

a) Authorized
Unlimited common shares

b) Issued

	Number	Stated Value
Issuance of common shares at \$0.05 each (i)	6,000,000	\$ 300,000
Issuance of common shares at \$0.10 each (ii)	4,000,000	400,000
Share issue costs		(106,767)
Balance, September 30, 2018	10,000,000	\$ 593,233

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

(i) At incorporation, the Company issued 6,000,000 common shares at \$0.05 per common share, which are subject to an escrow agreement. These will be held in escrow pursuant to the requirements of the Exchange and terms of escrow agreement and will be released from escrow in stages over a period of up to three years after the date of the Company receiving the final Exchange acceptance of the QT. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must also be deposited in escrow pursuant to the terms of the escrow agreement.

(ii) Pursuant to the prospectus dated March 20, 2018, the Company offered to sell and issue 4,000,000 common shares at \$0.10 per share for total gross proceeds of \$400,000 for the initial public offering ("IPO"). The IPO closed and the symbol "PRED.P" began trading on April 6, 2018.

On January 26, 2018, the Company entered into an agreement with Haywood Securities Inc. (the "agent") to complete the IPO. As part of the agreement, the agent was granted an option to acquire 10% of the common shares issued in connection with the IPO at a price of \$0.10 per common share exercisable for a period ending twenty-four months from the date the Company's common shares were listed on the Exchange ("agent's options"). Any non-cash share issue costs to recognize for the agent's options would be nominal.

The Company also paid the agent 10% commission on the gross proceeds. In addition, the Company paid a corporate finance fee of \$10,000 and reimbursed the agent's legal fees and other reasonable expenses incurred pursuant to the IPO.

Stock options

The Company has a common share purchase option plan (the "Plan") for directors, officers, employee and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approvals are obtained. Under the Plan, options may have up to a ten-year term and are non-transferable, however it is anticipated that options granted will likely have a five-year term. Unless otherwise determined by the Board of Directors, options vest immediately upon granting and may be exercised until the greater of twelve months after the completion of the QT and ninety days following the date of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the Exchange at the time of the grant.

The summary for stock options is as follows:

	Number of Options	Weight Average Exercise Price	Weight Average Remaining Life
Granted	1,000,000	\$ 0.10	4.5
Balance, September 30, 2018	1,000,000	\$ 0.10	4.5

On April 6, 2018, the company granted 1,000,000 stock options to officers and directors. Each stock option, which expires five years from the date of grant, is entitled to acquire a common

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

share of the Company at a price of \$0.10 per share. All the options are exercisable immediately and the weighted average remaining life is 4.5 years.

During the period ended September 30, 2018, the Company recorded stock-based compensation totalling \$40,000, which was based on following assumptions:

	Inputs
Exercise price	\$0.10
Risk-free interest rate	1.74%
Expected life of options	5 years
Expected volatility	50%
Weighted average fair value per option	\$0.04
Dividend yield	Nil
Forfeiture rate	Nil
Market price at grant	\$0.10

Agent Warrants

On April 6, 2018, the company granted 400,000 agent warrants to the agent. Each warrant option, which expires two years from the date of grant, is entitled to acquire a common share of the Company at an exchange price of \$0.10 per share each. All the options are exercisable immediately and the weighted average remaining life is 1.5 years.

The summary for agent warrants is as follows:

	Number of Warrants	Weight Average Exercise Price	Weight Average Remaining Life
Granted	400,000	\$ 0.10	1.5
Balance, September 30, 2018	400,000	\$ 0.10	1.5

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

During the period ended September 30, 2018, the Company determined the amount of share issue costs related to the agent warrants was not significant, which was based on following assumptions:

	Inputs
Exercise price	\$0.10
Risk-free interest rate	1.74%
Expected life of options	2 years
Expected volatility	50%
Weighted average fair value per option	\$0.04
Dividend yield	Nil
Forfeiture rate	Nil
Market price at grant	\$0.10

5. INCOME TAXES

The Corporation has unrecognized deferred tax assets since it cannot currently demonstrate that it is probable that this potential value will be realized. The unrecognized asset is comprised of approximately \$19,000 of non-capital loss carry forwards and \$92,000 of deductible temporary differences.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Company includes shareholders' equity, comprised of issued common shares, in the definition of capital.

The Company's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of a QT. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of the QT by the Company as defined under the Exchange policy 2.4.

Predator Blockchain Capital Corp.
Notes to the Financial Statements
September 30, 2018

(amounts in Canadian dollars)

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and accounts receivable, approximate fair value due to the relatively short-term maturity of these instruments.

Credit risk

The Company's financial assets are cash, and accounts receivable. The Company's maximum exposure to credit risk, as at period end, is the carrying value of its financial assets.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company conducted an IPO to raise additional funds to achieve its goal of completing a QT.

7. RELATED PARTY TRANSACTIONS

The Company engaged a law firm, of which a director is a partner of, to provide legal and advisory services. An amount of \$17,105 related to these legal fees have been recorded for the period ended September 30, 2018, which are included in share issue costs.

There was no remuneration paid to management personnel during the period ended September 30, 2018.

Transactions involving related parties are in the normal course of business and are transacted on terms equivalent to those that would prevail in an arm's length transaction.

8. SUBSEQUENT EVENTS

Subsequent to September 30, 2018 the Company entered into a letter of intent with a private company, whereby the Company will acquire all the issued and outstanding common shares of the private company for the purposes of completing their Qualifying Transaction. As a director of the Company is also a director of the private company the acquisition constitutes a Related Party Qualifying Transaction. The Company will receive common shares at an exchange ratio of 53:1, resulting in the Company's shareholders receiving 188,879 common shares of the 5,932,883 common shares issued by the resulting issuer.

Predator Blockchain Capital Corp.
(A Capital Pool Corporation)

Managements Discussion and Analysis

For the Period from Date of Incorporation January 25, 2018
to September 30, 2018
(In Canadian Dollars)

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

This management discussion and analysis ("MD&A") of Predator Blockchain Capital Corp. ("Predator" or the "Company") should be read in conjunction with Predator's condensed interim financial statements for the period ended September 30, 2018 (the "Financial Statements"). This MD&A is dated November 29, 2018.

Forward Looking Statements

This MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements.

Although Predator believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Predator cannot give any assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the technology industry in general as well as general economic conditions, stock market volatility; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements contained herein are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise unless expressly required by applicable securities laws.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding reasonable expectations of Predator as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

SELECTED INFORMATION

Three month period ended	September 30, 2018
Revenue	-
Net loss for the period	\$ (549)
Net loss per share (basic and fully diluted)	\$ (0.00)
Total assets	\$ 588,504
Total liabilities	\$ -

COMPANY BACKGROUND

Predator Blockchain Capital Corporation ("Predator, or the Company") was incorporated under the Alberta Business Corporations Act on January 25, 2018. Predator is a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company has not commenced operations and has no assets other than cash. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company, as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval.

The head office and the registered head office of the Company are located at Suite 1000, 250 – 2nd Street Avenue SW, Calgary, Alberta, T2P 0C1.

Highlights

Pursuant to the prospectus dated March 20, 2018, the Company offered sell and issue 4,000,000 common shares at \$0.10 per share for total gross proceeds of \$400,000 for the initial public offering ("IPO"). The IPO closed and the symbol "PRED.P" began trading on April 6, 2018.

The Company entered into an agreement with Haywood Securities Inc., as agent to raise \$400,000 in connection with the Company's IPO. The Company paid the agent of 10% commission on the gross proceeds and granted options to the agent to acquire 10% of the common shares issued in the offering at an exercise price of \$0.10 per common share, exercisable for a period ending twenty-four months from the date the IPO ("agent's options"). The Company also paid a corporate finance fee of \$10,000 plus tax upon the closing of the IPO

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

and reimbursed the agent's legal fees and other reasonable expenses incurred pursuant to the IPO.

At the closing of the IPO, the Company granted 1,000,000 stock options to officers and directors. Each stock option, which expires five years from the date of grant, is entitled to acquire a common share of the Company at an exercise price of \$0.10 per share each.

FINANCIAL SUMMARY

Three month period ended	September 30, 2018
Revenue	-
Expenses	\$ (549)
Net Loss	\$ (549)

SHARE INFORMATION

	Number	Amount
Issuance of common shares at \$0.05 each (i)	6,000,000	\$ 300,000
Issuance of common shares at \$0.10 each (ii)	4,000,000	\$ 400,000
Share issue costs		\$ (106,767)
Balance, September 30, 2018	10,000,000	\$ 593,233

(i) On February 6, 2018, the common shares issued were recorded at the fair value of the consideration received at \$ 0.05 per common share on the date of issuance.

(ii) On April 6, 2018, the common shares were issued for a gross consideration of \$0.10 per common share.

On April 6, 2018, the company granted 1,000,000 stock options to officers and directors. Each stock option, which expires five years from the date of grant, is entitled to acquire a common share of the Company at an exchange price of \$0.10 per share each.

The summary for stock options is as follows:

	Number of Options	Weight Average Exercise Price	Weight Average Remaining Life
Granted	1,000,000	\$ 0.10	4.5
Balance, September 30, 2018	1,000,000	\$ 0.10	4.5

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

The summary for agent warrants is as follows:

	Number of Warrants	Weight Average Exercise Price	Weight Average Remaining Life
Granted	400,000	\$ 0.10	1.5
Balance, September 30, 2018	400,000	\$ 0.10	1.5

LIQUIDITY

Since incorporation, the Company has had share issuances for a total of \$700,000 for the period ended September 30, 2018.

RISK AND UNCERTAINTIES

The following information describes certain significant risks and uncertainties inherent in the Company's business. This section does not describe all risks applicable to Predator, its industry or its business, and it is intended only as a summary of certain material risks. If any of such risks or uncertainties actually occurs, the Company's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements included in this MD&A.

Commodity Prices and World Financial Markets

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, have caused significant volatility in commodity prices. These events and conditions have caused a decrease in confidence in the broader global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have negatively impacted credit markets and caused stock markets to experience significant volatility. While there are signs of economic recovery, these factors have negatively impacted valuations and are likely to continue to impact the performance of the global economy going forward. These factors may impact the Predator's future ability to obtain equity, debt or bank financing on terms favourable to the Company, or at all.

FINANCIAL RISK MANAGEMENT

a) Fair value

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle the financial assets and liabilities at the reporting date. The fair value of cash, accounts receivable, and related party loans approximates carrying amounts due to the short-term nature.

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

b) Risk management framework

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the directors have overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash consists of bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity will be impacted by various external events and conditions.

OFF BALANCE SHEET ARRANGEMENTS

As at the date hereof, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial conditions of the Company, including, without limitation, such considerations as liquidity and capital resources.

CAPITAL RESOURCES

The Company's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Company includes shareholders' equity, comprised of issued common shares, in the definition of capital.

The Company's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of a QT. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of the QT by the Company as defined under the Exchange policy 2.4.

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

RELATED PARTY TRANSACTIONS

The Company engaged a law firm, of which a director is a partner of, to provide legal and advisory services. An amount of \$17,105 related to these legal fees have been recorded for the period ended September 30, 2018, which are included in share issue costs.

There was no remuneration paid to management personnel during the period ended September 30, 2018.

CRITICAL ACCOUNTING ESTIMATES

Management of Predator is responsible for the accounting estimates included in the condensed interim financial statements. Estimates, and the related judgments and assumptions, are based on Management's knowledge of the business and past experience. Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes.

FINANCIAL INSTRUMENTS

Financial assets and liabilities, including derivatives, are recorded on the statement of financial position when the Company becomes a party to the financial instrument or derivative contract.

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's cash and accounts receivable are classified as financial assets measured at fair value through profit and loss. The Company's related party loans are classified as financial liabilities measured at amortized cost.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of the subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income. Fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. The Company will apply the simplified approach which requires expected lifetime credit losses to be recognized from initial recognition of any accounts receivables.

PROPOSED TRANSACTIONS

Other than as set out in the subsequent events, the Company does not have any proposed asset or business acquisition or disposition as at the date hereof.

DISCLOSURE OF OUTSTANDING SECURITY DATA

As at the date of this MD&A, the Company has an aggregate of 10,000,000 Common Shares issued and outstanding.

QUARTERLY RESULTS

	Q1-2018	Q2-2018	Q3-2018
Revenue	\$ -	\$ -	\$ -
Net loss	(24)	(44,156)	(549)
Net loss per share (basic and fully diluted)	0.00	0.00	0.00

SIGNIFICANT ACCOUNTING POLICES

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed interim financial statements do not include all the information required for full annual financial statements.

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

Predator Blockchain Capital Corp.
Management's Discussion and Analysis
September 30, 2018

(amounts in Canadian dollars)

SUBSEQUENT EVENTS

Subsequent to September 30, 2018 the Company entered into a letter of intent with a private company, whereby the Company will acquire all the issued and outstanding common shares of the private company for the purposes of completing their Qualifying Transaction. As a director of the Company is also a director of the private company the acquisition constitutes a Related Party Qualifying Transaction. The Company will receive common shares at an exchange ratio of 53:1, resulting in the Company's shareholders receiving 188,869 common shares of the 5,932,883 common shares issued by the resulting issuer.

SCHEDULE “A”
PREDATOR BLOCKCHAIN CAPITAL CORP.
AUDIT COMMITTEE TERMS OF REFERENCE

1. Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of Predator Blockchain Capital Corp. (the “**Corporation**”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial reports and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Corporation and its subsidiary, are as follows:

- (a) To assist directors to meet their responsibilities in respect of the preparation and disclosure of the financial reports of the Corporation and related matters.
- (b) Provide an open avenue of communication among the Corporation’s auditors, financial and senior management and the Board.
- (c) To ensure the external auditors’ independence and review and appraise their performance.
- (d) To increase the credibility and objectivity of financial reports.
- (e) To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

2. Composition

The Committee shall be comprised of at least three directors as determined by the Board, the majority of whom shall be independent directors as defined in National Instrument 52-110 *Audit Committees* (“**NI 52-110**”) and pursuant to the policies of the Exchange. “Independent” generally means free from any business or other direct or indirect material relationship with the Corporation that could, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgment.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements. For the purposes of these audit committee terms of reference (“**Terms of Reference**”), the definition of “financially literate” is the ability to read and understand a set of financial reports that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation’s financial reports.

The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

3. Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and/or such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

4. Mandate and Responsibilities

To fulfill its responsibilities and duties, the Committee shall:

- (a) undertake annually a review of this mandate and make recommendations to the Corporate Governance Committee as to proposed changes;
- (b) satisfy itself on behalf of the Board with respect to the Corporation's internal control systems, including, where applicable, relating to derivative instruments:
 - (i) identifying, monitoring and mitigating business risks; and
 - (ii) ensuring compliance with legal and regulatory requirements;
- (c) review the Corporation's financial reports, management discussion and analysis ("MD&A"), any annual earnings, interim earnings and press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial reports), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors; the process should include but not be limited to:
 - (i) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial reports;
 - (ii) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - (iii) reviewing accounting treatment of unusual or non-recurring transactions;
 - (iv) ascertaining compliance with covenants under loan agreements;
 - (v) reviewing financial reporting relating to asset retirement obligations;
 - (vi) reviewing disclosure requirements for commitments and contingencies;
 - (vii) reviewing adjustments raised by the external auditors, whether or not included in the financial reports;
 - (viii) reviewing unresolved differences between management and the external auditors;
 - (ix) obtain explanations of significant variances with comparative reporting periods; and

- (x) determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed;
- (d) review the financial reports and related information included in prospectuses, MD&A, information circular-proxy statements and annual information forms, prior to Board approval;
- (e) with respect to the appointment of external auditors by the Board:
 - (i) require the external auditors to report directly to the Committee;
 - (ii) review annually the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Corporation;
 - (iii) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation;
 - (iv) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
 - (v) be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
 - (vi) review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
 - (vii) review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
 - (viii) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
 - (ix) take, or recommend that the full Board take, appropriate action to oversee the independence of the external auditors; and
 - (x) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial reports;
- (f) review all public disclosure containing audited or unaudited financial information before release;
- (g) review financial reporting relating to risk exposure;
- (h) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial reports and periodically assess the adequacy of those procedures;
- (i) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

- (j) review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial reports of the Corporation and its subsidiaries;
- (k) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors and consider the impact on the independence of the auditors; The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
 - (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
 - (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee;

provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;
- (l) review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it;
- (m) with respect to the financial reporting process:
 - (i) in consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external;
 - (ii) consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
 - (iii) consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management;
 - (iv) review significant judgments made by management in the preparation of the financial reports and the view of the external auditors as to appropriateness of such judgments;
 - (v) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
 - (vi) review any significant disagreement among management and the external auditors regarding financial reporting;
 - (vii) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
 - (viii) review the certification process;
 - (ix) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

- (x) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

5. Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee. The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Corporation.

APPENDIX B INFORMATION CONCERNING HIGHWOOD

The following information is presented on a pre-Highwood QT basis and is reflective of the business, financial and share capital position of Highwood Oil Company Ltd. See Appendix "A", "Information Concerning PBC", to the Circular and Appendix "C", "Information Concerning the Resulting Issuer" to the Circular for additional information regarding PBC and the Resulting Issuer, respectively.

CORPORATE STRUCTURE

General

Highwood Oil Company Ltd. ("Highwood" or the "Company") is a private, Calgary, Alberta, based oil and gas exploration, development and production company with property in Alberta and British Columbia. See "*Description of the Business*" and "*Highwood Reserves*".

The Company does not have any subsidiaries. Until October 29, 2018, the Company operated as Predator Oil Ltd. before completing a name change to Highwood.

The Company was incorporated under the ABCA on August 24, 2012. On January 1, 2016, after acquiring the outstanding partnership units from an arm's length party, the Company amalgamated with South Bay Resources Canada Limited Partnership (South Bay Resources Canada, ULC and 1183929 Alberta Ltd.) and continued business as Predator Oil Ltd. See "*Description of Share Capital*".

Highwood's head office is located at 900, 222 – 3rd Avenue SW, Calgary, AB T2P 0B4, and its registered office is located at 1000, 250 – 2nd Street SW, Calgary, AB T2P 0C1.

DESCRIPTION OF THE BUSINESS

Business of the Company

Highwood is a Canadian junior oil and natural gas company focused on growth through exploration, development, production and acquisition programs in the Western Canadian Sedimentary Basin ("**WCSB**"). The Company commenced oil and gas activities in August 2012. Its core management team has previously started and grown several successful junior oil and gas companies.

The Company's core growth areas are all located within Alberta. The Company has assembled its current land and producing asset holdings through multiple acquisitions completed since 2012. See "*Description of the Business – History and Recent Transactions*". The Company's two core growth areas in the WCSB are Jarvie/Nipisi/Marten Hills (Clearwater Formation) and Red Earth (Keg River Formation). The Company holds approximately 196 gross (100 net) sections of mineral rights in the Clearwater Formation and 246 gross (208 net) sections of mineral rights in the Keg River Formation. See "*Highwood Assets*".

The Company's Assets have had 11,070 gross (9,906 net) MBoe of proved plus probable reserves assigned, as at March 31, 2018, by GLJ, the Company's independent qualified reserves engineers. See "*Highwood Reserves*". The Company's Assets have an estimated 2018 average annual production of approximately 1,200 bbl/d (100% light sweet oil), which is being produced predominantly from the Keg River Formation in the Red Earth, Alberta area.

To date, the Company has raised \$11,500,000 through private placement equity financings, all of which was raised from the Company's directors, and completed a number of strategic land and producing asset acquisitions to cost-effectively build its WCSB land position.

Business Strategy

The Company's long-term business strategy is to increase shareholder value by growing its asset base in the WCSB and to exploit and develop this area to increase reserves, production and cash flows at an attractive return on

invested capital. The Company seeks to execute this strategy by: (i) drilling and developing its undeveloped land position; (ii) adopting and employing advanced drilling and completion techniques; (iii) enhancing returns by focusing on operational and cost efficiencies; and (iv) pursuing strategic asset or land acquisitions with significant potential synergies.

Competitive Advantages

Management believes the Company has several competitive advantages that will help it execute its business strategy successfully:

- ***Multi-Year Prospective Drilling Inventory***

The Company's drilling strategy is to engage in development drilling with low capital exposure per well. In the Jarvie/Nipisi/Marten Hills areas, the Company has an inventory of approximately two hundred gross horizontal Clearwater drilling locations. The Company intends on using positive cashflows from existing operations along with proceeds receivable from a royalty divestiture to drill and complete eight to ten gross horizontal Clearwater wells (targeting both the Upper and Lower Clearwater sands) in 2018 and 2019. See "*Highwood Assets – Multi-Year Prospective Drilling Inventory*". The Company owns a 50% interest in the mineral rights in the Jarvie/ Nipisi/Marten Hills area with an arms length joint venture party owning the other 50%.

- ***Operated Assets, High Working Interest***

95% of the Company's Red Earth production is operated on behalf of the Company and the Company has an average working interest of 95% in its Red Earth Keg River mineral rights and production. Directing the operation of its assets allows the Company to dictate its organic growth opportunities while controlling the cost and timing of its preferred development plan. Directing the operation of its properties further allows the Company to achieve operating benefits as it consolidates future core areas.

- ***Conservative Balance Sheet Target***

Following the Completion of the Highwood QT, the Company's long-term corporate goal is to maintain funds flow from operations and a conservative capital structure to provide the financial flexibility necessary for continued success in executing its acquisition program and organic growth.

- ***Management Team with a History of Creating Value for Shareholders***

The Company's senior management team has extensive experience in the oil and natural gas business in the WCSB. The Company believes that its management team has the necessary skills and experience to build the Company into a successful growth-oriented, exploration and development focused oil and natural gas company supported by their experience and past involvement and success with growing several public and private companies from start-up to eventual sale. The Company's management is experienced in drilling, completing and operating vertical and horizontal wells and acquiring assets in a number of areas and play types, including the areas currently owned, in the WCSB.

History and Recent Transactions

The Company secured its initial round of financing in August 2012 via a private placement and completed its second round of financing in August 2014. A summary of these first two private placements is as follows:

- In August 2012, the Company capitalized itself with 2,500,000 Common Shares at a price of \$2.40 per Common Share for aggregate in-kind proceeds of \$6,000,000. Shareholders made an in-kind contribution of land with a deemed value of \$6,000,000. Valuation was supported by a third-party reserve report previously compiled on the properties. All proceeds were received indirectly through holding companies of the initial three shareholders who were also directors of the Company.

- In August 2014, the Company completed a private placement of 3,038,674 Common Shares at a price of \$1.81 per Common Share for aggregate gross proceeds of \$5,500,000.

Highwood Transactions

Since 2012, the Company has been involved in the acquisitions and divestitures as outlined below:

In Q3 2012, the Company acquired substantially all of the outstanding Canadian oil & gas properties of Equal Energy Ltd. comprising of approximately 750 boe/d of production predominantly in the Provost, Halkirk and Alliance areas of Alberta. Between Q4 2012 and the first half of 2013, the Company divested of substantially all of these producing assets in three separate transactions.

In Q3 2014, the Company acquired a producing field of light oil production from Pengrowth Energy Corporation comprising of approximately 1,100 bbls/d of production in the Red Earth area of Alberta. The Company continues to operate these assets today and has grown current production capacity to 1,300 bbls/d through a program of recompletions and two gross wells drilled. Concurrent with this acquisition, \$5,500,000 was raised by shareholders to help finance the acquisition along with the assumption of a bank loan from a Canadian Chartered Bank. Issuance price of the shares was \$1.81 and funds were raised by existing three shareholder and Greg Macdonald.

In Q4 2015, the Company acquired South Bay Resources Canada Limited Partnership via a corporate acquisition for gross proceeds of \$365,000 before closing adjustments. Total production was approximately 65 boe/d predominantly in the Raday and Huxley areas of Alberta. The majority of these properties were sold in Q3 2018 in a minor divestiture.

In Q1 2017, the Company acquired oil & gas properties from Mosaic Energy Ltd. for gross proceeds of \$33,000,000 before closing adjustments, comprising of approximately 2,500 boe/d of production predominantly in the Gilby and Niton areas of Alberta. The Company operated these assets from February 2017 to April 2017 and subsequently disposed of the properties en bloc to Journey Energy Inc. in April 2017. Both transactions were arm's length transactions.

Throughout 2018, the Company acquired the outstanding working interests in the Wabasca River Pipeline System, a 210 km crude oil sales line with capacity to deliver 20,000 bbls/d of crude to the Plains Rainbow Pipeline in Northern Alberta. Total acquisition costs after standard closing adjustments were approximately \$7,540,000. Current throughput on the line has averaged 4,700 bbls/d over the last three months as of the date of this Circular.

In October, 2017, the Company entered into a joint venture agreement with an arm's length party and jointly acquired 196 gross sections of mineral rights in the Clearwater Formation, split between the areas of Jarvie/Newbrook (86 gross, 44 net sections to the Company) and Nipisi/Marten (110 gross, 55 net sections to the Company) Alberta. In September 2018, the Company and the joint venture partner sold a 4%, non-deduct, overriding royalty interest in the lands for gross proceeds of \$12,000,000 (\$6,000,000 net to the Company). The proceeds are held in trust pending the Company and the joint venture partner drilling a minimum of 8 wells in the Clearwater Formation prior to March 31, 2020. To date, the Company has completed two gross wells in the Clearwater and received \$3,000,000 (\$1,500,000 net to the Company) from the escrow agent.

Minor Assets

The Company acquired the Minor Assets pursuant to several separate acquisitions from arm's length parties. The Minor Assets were assigned a smaller reserve valuation than the Core Assets in the March 31, 2018 GLJ Reserve Report.

The Company owns a 50% working interest in a producing oil well north of Swan Hills, Alberta. Current production from the well averages 25 bbls/d of light sweet oil. The Company acquired the well in the transaction with Equal Energy Ltd. (see "Highwood Transactions") and did not dispose of the well in subsequent divestitures of the Equal assets. At March 31, 2018, the well was assigned 117 Mboe of proved reserves and a total proved reserve value of \$2,360,000.

The Company has a 55% working interest in 53.4 sections of Doig lands in Fireweed, British Columbia. There is no current production from the field. At March 31, 2018, the field was assigned 553 MBoe of proved reserves and a total proved reserve value of \$3,528,000 (10% DCF). Conditional on anticipated economics and access to capital, the Company would plan on developing these mineral interests over the next two to three years. The Doig lands were obtained in a related party transaction in September 2017 for consideration of \$650,000.

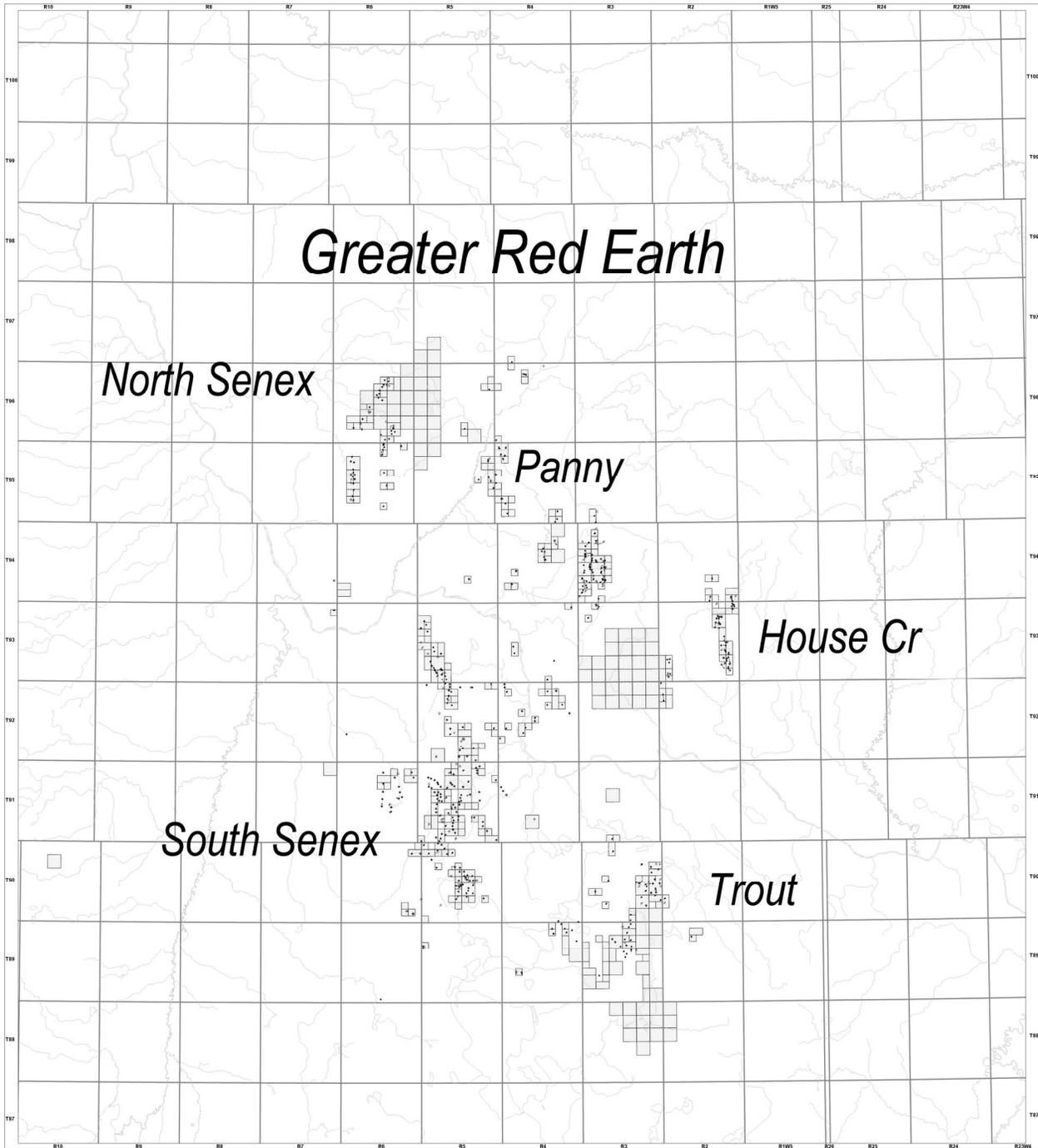
The Company has a 67% working interest in 20.7 sections of Viking land in the Alliance area of Alberta. There is no current production from the field. At March 31, 2018, there were no reserves assigned in the GLJ Reserve Report.

The Company has a 100% working interest in 1.5 sections of Slave Point rights in Chinchaga, Alberta. There is no current production from the field. At March 31, 2018, the field was assigned 869 MBoe of proved reserves and a total proved reserve value of \$4,403,000.

Core Assets

The majority of the Company's current production comes from the Red Earth area of Alberta. The Company acquired these assets in 2014 from a Canadian publicly traded oil & gas company for gross proceeds of \$46,800,000 before closing adjustments. Since acquisition, the Company has been focused on optimizing the field through a series of workovers, recompletions and cost reduction activities. The Company drilled its first two gross (1.5 net) wells in the area in the first quarter of 2018. Current production from the field is approximately 1,200 bbl/d of light oil with capacity to increase to 1,300 for minimal capital investment once winter access is restored to certain areas. The Company has associated abandonment and reclamation obligations of approximately \$24.9 million (undiscounted) in the Red Earth area.

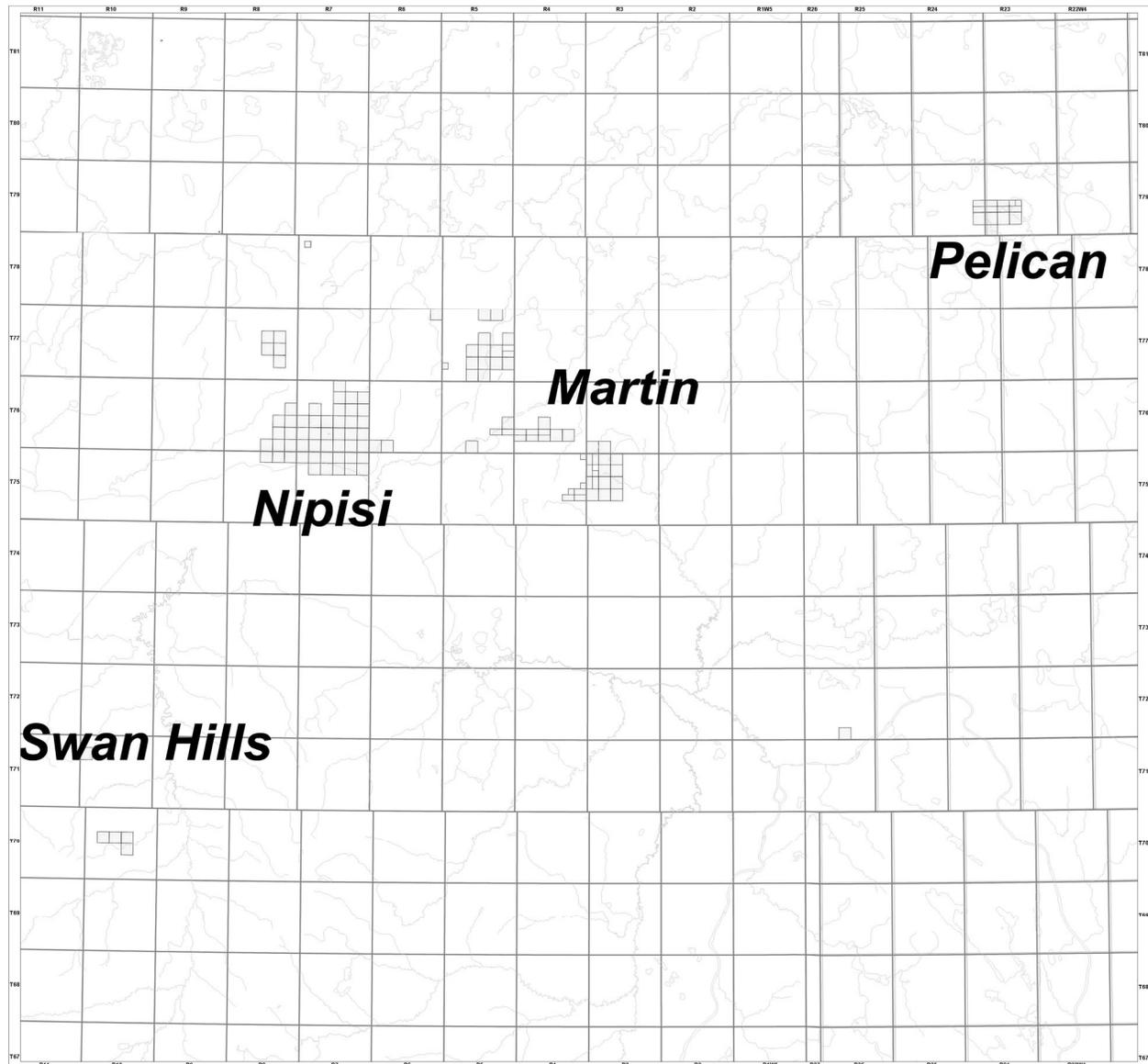
The following map shows the mineral rights and producing areas held in Red Earth, Alberta. There are five main producing areas in the field; Panny, North Senex, South Senex, House Creek, Trout:

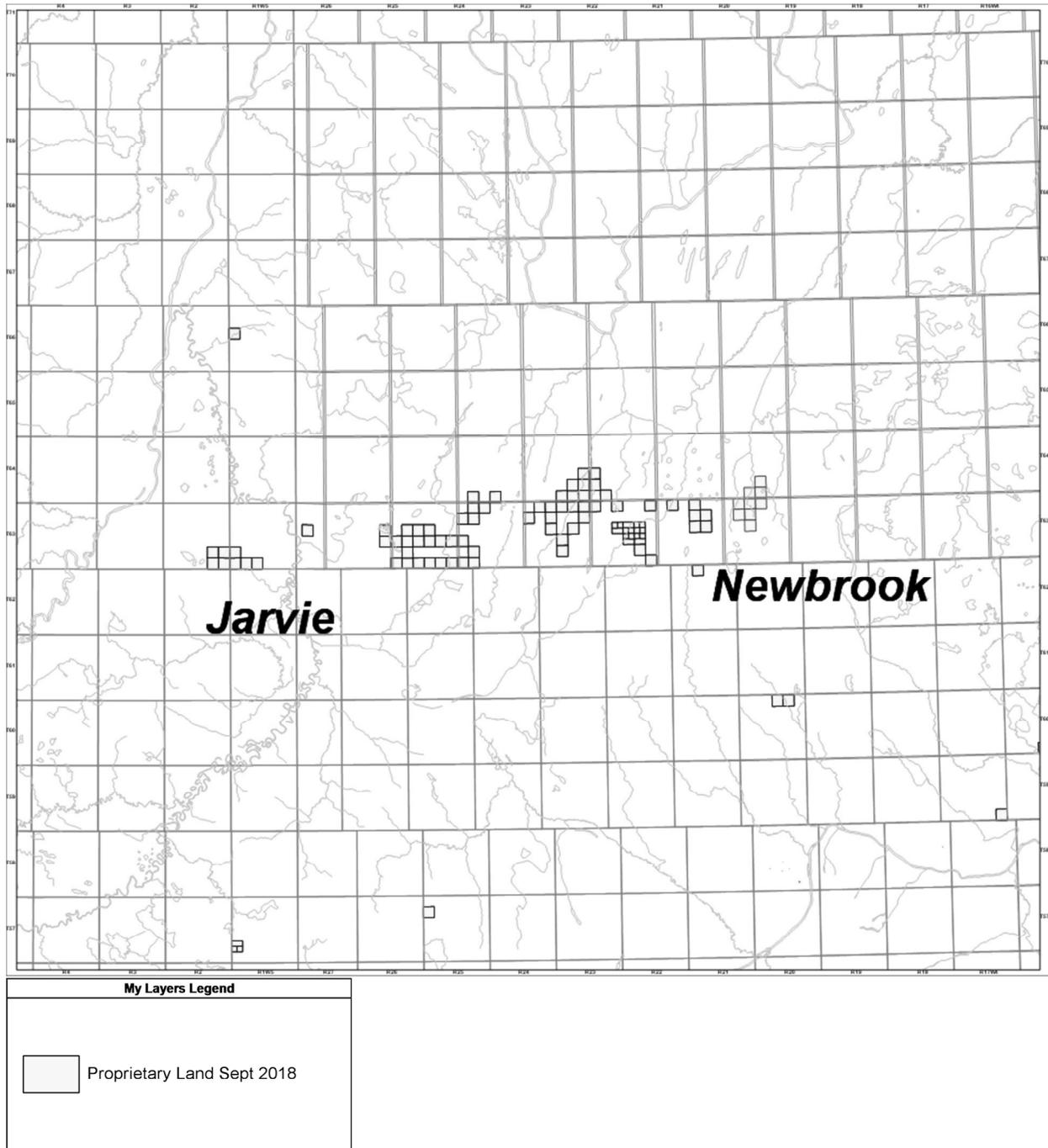


Well Legend	My Layers Legend
<p>Lists</p> <p>* Wells - Predator Well List</p>	<p>Proprietary Land Sept 2018</p>

The Company's second core area of Jarvie/Newbrook/Martin/Nipisi in its infancy of development with two gross (one net) well having been drilled in the fourth quarter of 2018. Together with their joint venture partner in the area, the parties have amassed a land position of 196 gross (100 net to the Company) sections of Clearwater mineral rights. In the third quarter of 2018 the parties divested of a 4%, non-deduct royalty over the jointly held Clearwater mineral rights for gross proceeds of \$12,000,000 (\$6,000,000 net to the Company). As a condition of the royalty divestiture, the parties must drill a minimum of eight wells in the formation prior to March 31, 2020. Should total drill, completion and equipping costs be less than \$1,500,000 per well, the parties will be required to drill additional wells prior to September 30, 2020 in order to recoup the remaining funds.

The following maps show the mineral rights and land position in the Clearwater formation between the Nipisi and Jarvie/Newbrook areas of Alberta:





Selected Historical Financial Information - Highwood

The following table sets out selected historical financial information for the Company as at and for the periods indicated. Investors should read the select historical financial information in conjunction with the Company's management's discussion and analysis, the Company's audited financial statements and the accompanying notes included in Schedule "FS" – "Index to Financial Statements and Management's Discussion and Analysis" attached to this Circular.

As at and for the nine months ended September 30, 2018

As at and for the year ended December 31, 2017

	As at and for the nine months ended September 30, 2018	As at and for the year ended December 31, 2017
Financial (\$000s)		
Total Assets	122,308	79,807
Total Shareholders' Equity	28,439	26,864
Total Liabilities	93,869	52,943

Selected Historical Financial and Operational Information

The following table sets out selected historical financial and operational information for the Company as at and for the period indicated. Investors should read the select historical financial information in conjunction with the MD&A and the Financial Statements included in this Circular under Schedule "FS" – "Index to Financial Statements and Management's Discussion and Analysis".

	As at and for the nine months ended September 30, 2018	As at and for the year ended December 31, 2017	As at and for the year ended December 31, 2016	As at and for the year ended December 31, 2015
Production				
Crude Oil and NGLs (Bbls)	306,012	495,731	453,986	444,981
Natural Gas (Mcf)	9,698	876,946	48,693	71,344
Oil equivalent (Boe)	307,628	641,889	462,101	456,872
Financial (\$000s, unless otherwise noted) (audited)				
Petroleum and natural gas sales	\$ 21,826	\$ 28,289	\$ 20,961	\$ 23,014
Less: Royalties	(3,598)	(3,137)	(1,680)	(1,670)
Transportation pipeline revenues	2,640	-	-	-
Processing and road use revenues	1,329	1,132	1,434	1,534
Realized gain (loss) on commodity contracts	(1,461)	1,465	7,629	6,745
Unrealized gain (loss) on commodity contracts	(1,859)	545	(8,757)	(2,840)
Revenue, net of royalties	18,877	28,294	19,587	26,782
Operating and transportation	(14,963)	(16,629)	(12,744)	(12,908)
General and administrative	(1,967)	(3,727)	(1,811)	(2,101)
Exploration and evaluation	-	(206)	(707)	(1,073)
Depletion and depreciation	(4,259)	(5,409)	(6,099)	(6,216)
Other	(229)	(260)	(316)	(917)
Operating Income (Loss)	\$ (2,541)	\$ 2,063	\$ (2,090)	\$ 3,567
Per Unit				
Crude Oil and NGLs revenue (\$/Bbl)	71.29	52.01	45.96	51.66
Natural Gas revenue (\$/Mcf)	1.27	2.86	1.95	2.69
Revenue (\$/Boe)	70.95	44.07	45.36	50.37
Royalties (\$/Boe)	(11.70)	(4.89)	(3.63)	(3.66)

	As at and for the nine months ended September 30, 2018	As at and for the year ended December 31, 2017	As at and for the year ended December 31, 2016	As at and for the year ended December 31, 2015
Operating Expenses (\$/Boe)	(48.64)	(25.91)	(27.58)	(28.25)
Netback (\$/Boe) ⁽¹⁾	10.61	13.27	14.15	18.41
Reserves ⁽²⁾	March 31, 2018	February 28, 2017	February 29, 2016	March 31, 2015
Proved Developed Producing (MBoe)	3,388	10,496	3,458	3,257
Proved Developed Non- Producing (MBoe)	1,473	1,606	1,420	1,030
Proved Undeveloped (MBoe)	2,130	3,931	1,715	1,728
Probable (MBoe)	4,079	16,033	3,310	2,952
Total Proved plus Probable (MBoe)	11,070	24,618	9,903	8,967
Net Present Value Proved Developed Producing(\$000s) ⁽³⁾	80,084	120,419	70,008	73,035
Net Present Value Proved plus Probable (\$000's) ⁽⁴⁾	183,415	246,265	149,890	151,924
Future Development Costs (\$000s) ⁽⁵⁾	75,965	110,211	56,523	52,514

Notes:

- (1) See "Canadian GAAP and Non-GAAP Measures".
- (2) Based on GLJ's estimates and prices as of the reserve report dates provided above. Reserves presented are net reserves to the Company.
- (3) Net present value of future net revenue for proved developed producing reserves before income taxes and discounted at 10%.
- (4) Net present value of future net revenue for proved plus probable reserves before income taxes and discounted at 10%.
- (5) Represents the undiscounted total future development costs of reserves in the proved plus probable reserves category as set forth in the Reserve Report.

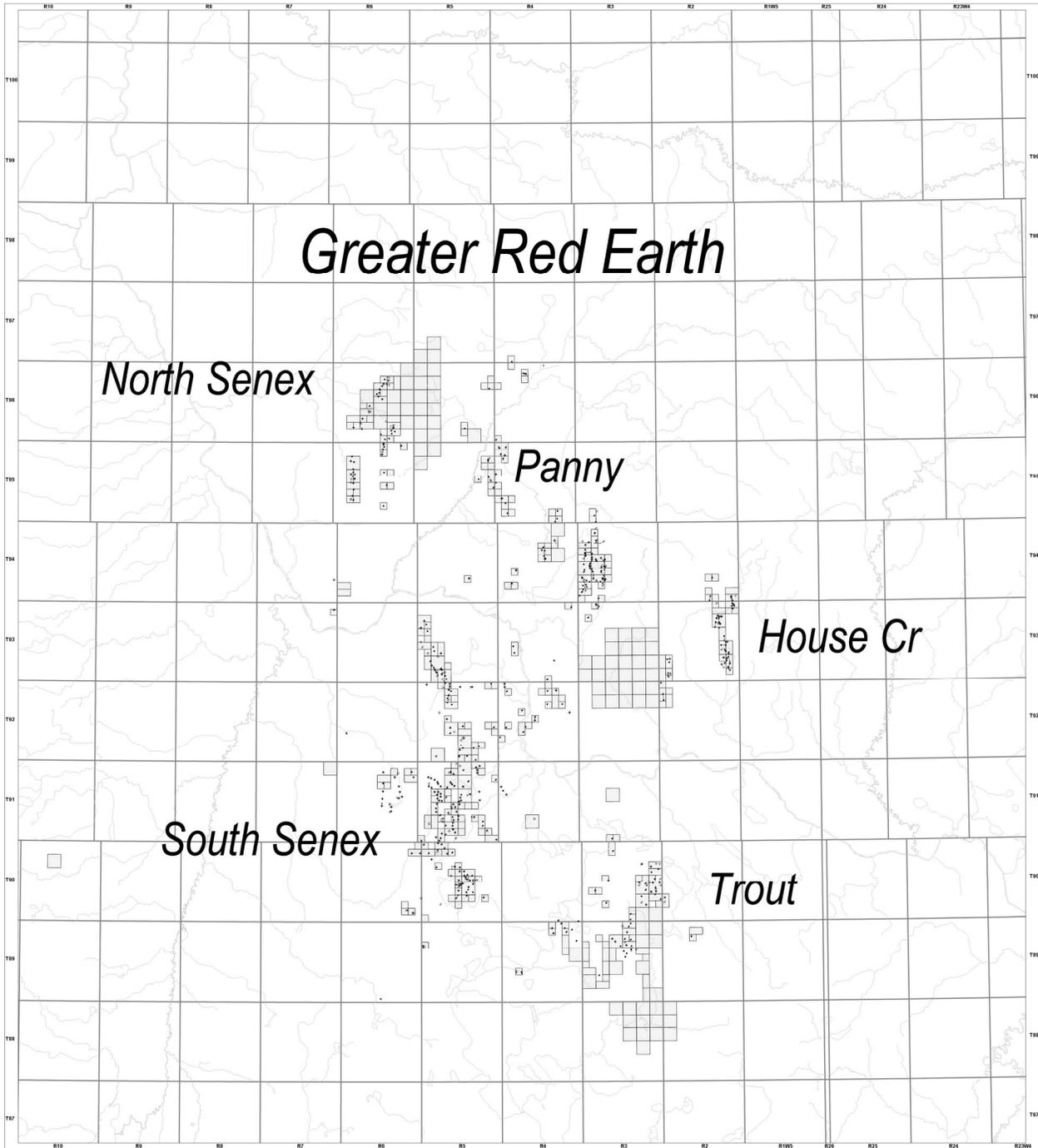
HIGHWOOD ASSETS

All information regarding the Assets contained herein, including all reserves and related information, financial information, has been derived in part from information provided to GLJ Petroleum Consultants Ltd. See "*Risk Factors*".

For further information in respect of the business of the Company, see the Financial Statements and the accompanying MD&A, all included in Schedule "FS" – "*Index to Financial Statements and Management's Discussion and Analysis*" attached to this Appendix "B".

The assets that comprise the Company's two core growth areas are the Red Earth Assets and the Jarvie/Nipisi/Marten Hills Assets. The Company also has non-core assets located in the Provinces of Alberta and British Columbia. The assets that comprise the Company's non-core assets are the Minor Assets outlined in "*Description of the Business – History and Recent Transactions*".

Overview of The Company's Red Earth Assets



Well Legend	My Layers Legend
<p>Lists</p> <p>* Wells - Predator Well List</p>	<p> Proprietary Land Sept 2018</p>

The Company's core exploration and production area is the greater Red Earth area of North Central Alberta focusing entirely on Keg River light oil. Industry participants have been pursuing the life reserve conventional Keg River light for over 30 years initially by vertical wells and later by horizontal wells. In recent years, the resource has been further advanced by use of multi-stage fracking technologies in both vertical and horizontal wells to access bypassed and compartmentalized hydrocarbon.

The Company's Red Earth properties are further sub-divided into 6 strikes: North Senex, South Senex, House Creek, Trout, Kidney and Panny (See Map). The Company holds 246 gross sections (208 net), of which 57% (net) is considered developed. The Company's assets have 8,911 gross (8,359 net) MBoe (100% Oil) of proved plus probable assigned reserves as of March 31, 2018, by GLJ, the Company's independent qualified reserves engineers (see "*Highwood Reserves*"). The Company has an estimated 2018 average annual production of approximately 1,200 bbl/d, which is being produced almost entirely from the Red Earth assets.

Multi-Year Prospective Recompletion Candidates and Drilling Inventory

The Company's strategy in Red Earth is to recomplete a number of producing low decline (less than 10%) Keg River oil wells with low water cuts requiring minimal capital to increase production and to add additional producing reserves. Secondly, the Company has a multi-year inventory of 2P undeveloped Keg River drilling locations in areas that have low recoveries to date and require multistage horizontal wells to harvest compartmentalized reserves. Currently, management has 56 re-completion candidates and 22 2P drilling locations in the GLJ Reserve Report

The Keg River Oil inventory based on regional mapping of the Devonian Platform Carbonate sequence defined as barrier to lagoonal dolomitic sequences that prograde regionally from southwest to northeast. Pay delineation was conducted by using density porosities greater than 4% and primary water saturation calculations less than 50%. Permeability calculations provided by a multitude of regionally cored wells, typically with permeability measurements in the 0.1 to 1500mD, were also used to define areas of low recoveries. Typically, the bypassed pay is witnessed in the micro to meso permeable rock measurements with permeability measurements in the 0.1 to 50 mD range. Primary recoveries factors range from less than 2% to as much as 20% whilst secondary recoveries via waterflood are as high as 30% on a single section basis. The oil typically is trapped in post depositional faulted up dip horst blocks with oil over a regional the salt water aquifer. Panny and North Senex are the two main areas with the recompletion and drilling inventory and is identified where recovery factors are much less than 15%, average permeability is low, net pays are greater than 10m and production has less than 50% water cut.

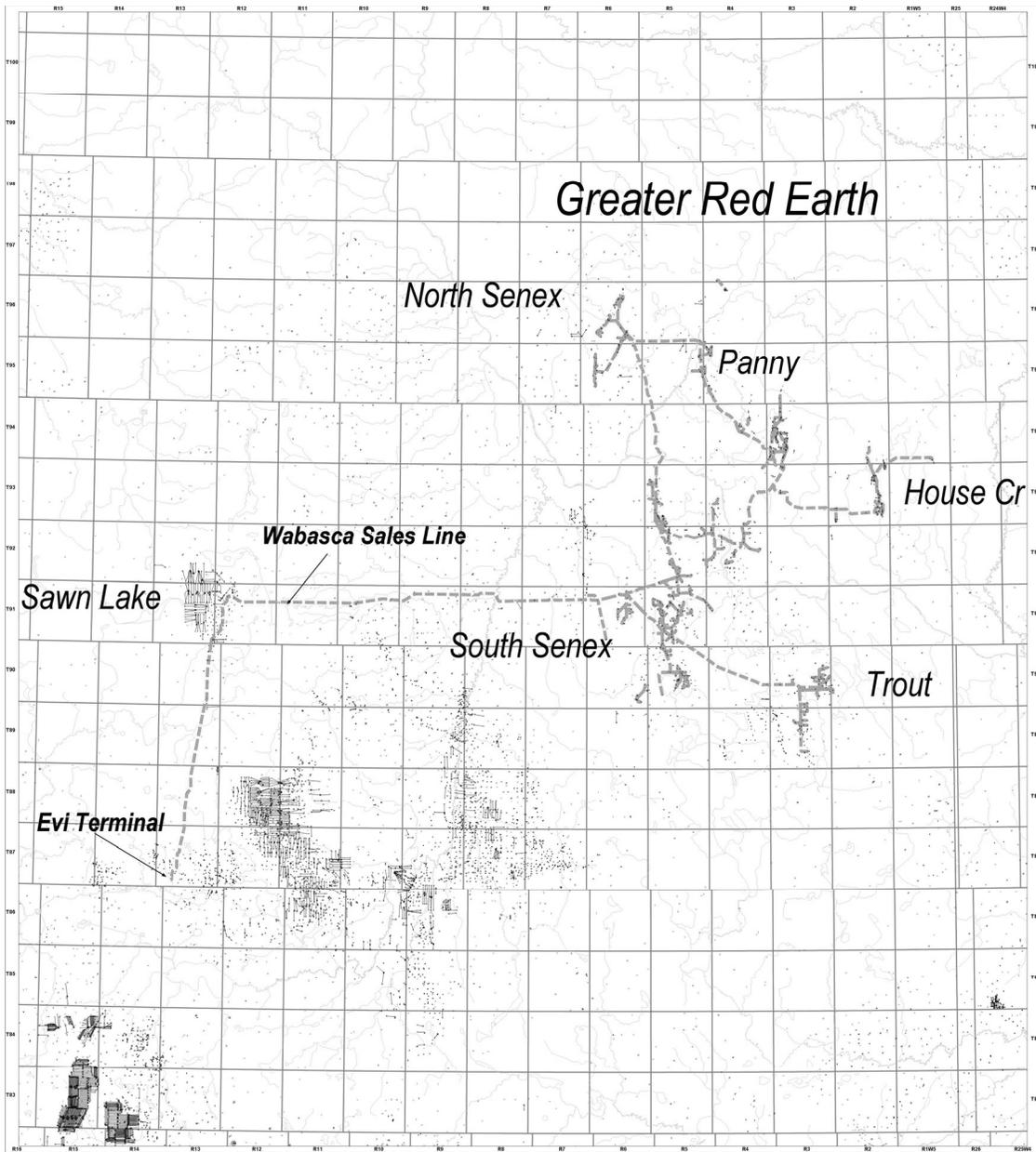
There is no certainty that the Company will drill any of the potential drilling opportunities identified herein and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling opportunities on which the Company actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the potential drilling opportunities have been de-risked by existing wells in relative close proximity to such potential drilling opportunity, some of other potential drilling opportunities are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.

Exploration and Development to Date (2018) and Future Development Plans

In 2018, the Company drilled 2 gross (1.5 net) horizontal Keg River wells with stage frack completions that yielded initial production rates in the 60 BOED range (95% oil). GLJ has attributed 120 MBOE of 2P reserves for the wells. Additionally, the Company recompleted 8 existing horizontal and/or vertical wells with modern frack technologies that produced economic results. An additional 9 Keg River wells were licensed and drilled by offsetting operators all of which is produced through the Company's oil infrastructure. For 2019, the Company intends to re-complete 3-6 wells. Additional horizontal wells may be contemplated by Management in 2019 if improving oil prices warrant economic programs.

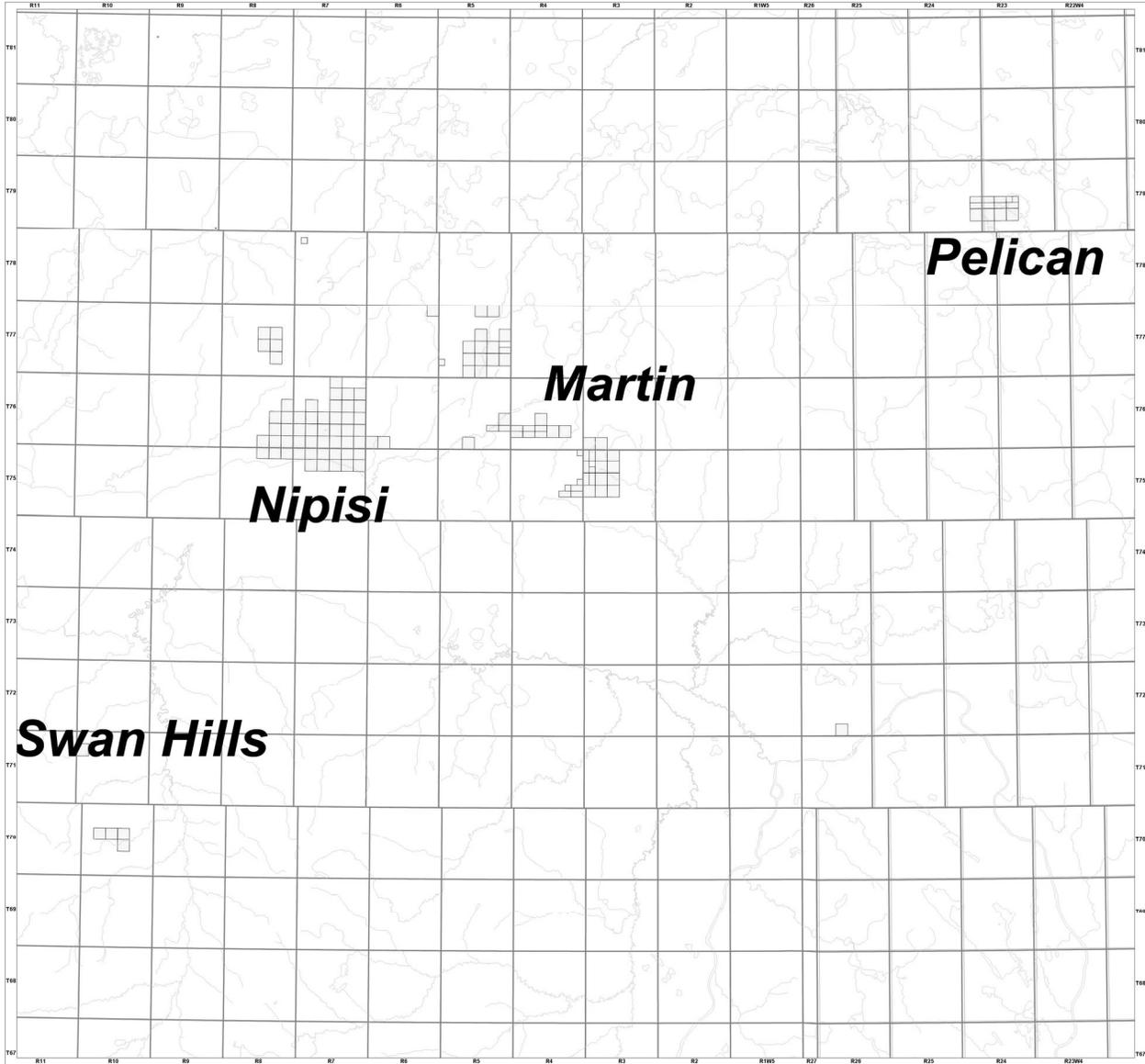
Infrastructure Capacity

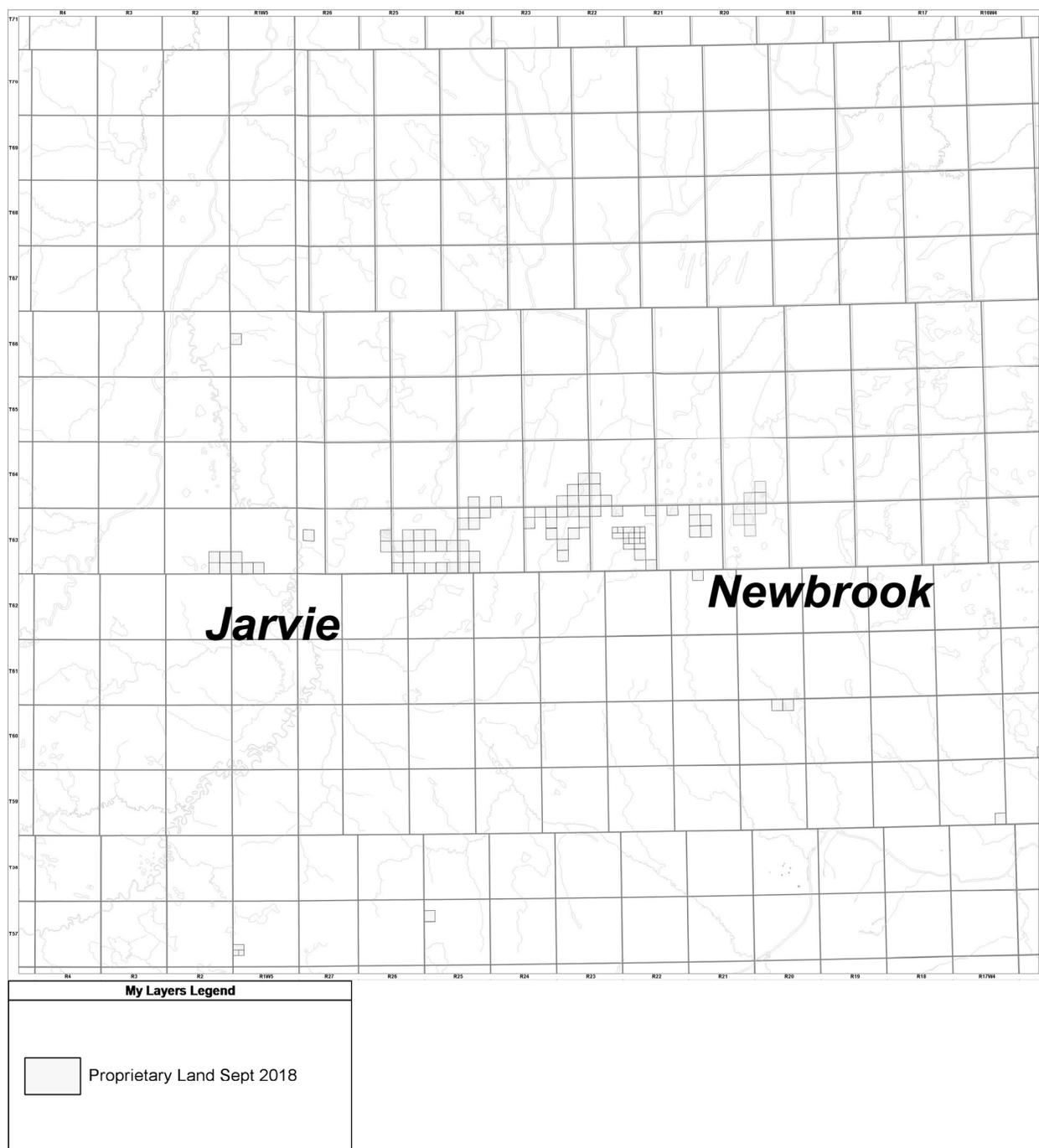
The Company infrastructure has additional processing and handling capacity. With third party activity increasing in the Red Earth area, revenues are expected to increase. The Company also has a 200 km sales system with capacity of 20,000 bbl/d which has one terminal and feeds directly into the Plains Rainbow system.



Pipeline Legend	
Lists	
	Pipelines - Predator Oil Infrastructure

Overview of Highwood's Jarvie/Newbrook/Nipisi/Marten Hills Rights (Clearwater Formation)





The Company's second core area, located in Central Alberta, exposes the company to shallow oil and natural gas prospects. Specifically, industry participants have been pursuing the Clearwater Oil play, which is a member of the Manville sands. Exploration and production of the Clearwater has evolved over time from conventional reservoirs pursued with vertical wells to a heavy oil reservoir. Technological developments, including the drilling of multilateral horizontal wells, have allowed access to the resource rich Clearwater reservoir.

The Company's core growth assets are the Nipisi, Marten Hills, Jarvie and Newbrook strike areas, where the Company holds approximately 196 gross (100 net) sections of Clearwater rights. The Company's Assets had 206 gross (103 net) MBoe of proved plus probable reserves assigned, as at March 31, 2018, by GLJ, the Company's independent qualified reserves engineers.

Currently, there are 2 gross (1 net) wellbores existing within the area.

Multi-Year Prospective Drilling Inventory

The Company's drilling strategy is to engage in development drilling with low capital exposure per well and with short cycles times. Management believes that the lands have a multi-year drilling inventory based on internal estimates that could exceed 200 wells. The Company has an inventory of three gross multilateral drilling locations recognized in the March 31, 2018 reserve report with gross proved plus probable reserves of 206 MBoe assigned thereto.

This Clearwater inventory was created using geological and geophysical mapping that was extended to the Company's lands from areas of analogous commercial Clearwater production offsetting the Company's acreage. This geological mapping included existing vertical well data. Up to two potential drilling opportunities per zone were allocated to sections in proximity to a vertical well with bypassed pay, resulting in a total of 350 gross (175 net) potential drilling opportunity in multiple zones (Upper and Lower Clearwater). Within this potential drilling inventory, 120 gross (60 net) locations have been selected as having the lowest risk within the Company's lands, as they are the single closest locations to the vertical wells with bypassed pay.

There is no certainty that the Company will drill all of the potential drilling opportunities identified herein and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling opportunities on which the Company ultimately drills wells will depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the potential drilling opportunities have been de-risked by existing wells of other operators in relatively close proximity to such potential drilling opportunities, some of our other potential drilling opportunities are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations. If drilled, there is further uncertainty that such wells will result in additional oil and gas reserves or production.

Exploration and Development Drilling Plans

The Company intends to drill, complete and tie-in between eight and fifteen gross horizontal Clearwater wells (targeting both the Upper and Lower Clearwater) in 2018 and 2019. The locations are planned to delineate the property by targeting multiple zones (both Upper and Lower Clearwater).

Infrastructure Capacity

Initially, the planned wells will be produced via single and multi-well facilities. New production will be trucked to various sales points within western Canada including terminals owned by the Company.

HIGHWOOD RESERVES

Date of Statement

The statement of reserves data and other oil and gas information set forth below is dated effective March 31, 2018, with a preparation date of May 25, 2018.

Disclosure of Reserves Data

GLJ was engaged to provide evaluations of reserves regarding the all of the assets of the Company. Further, GLJ was engaged to provide evaluations of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

The reserves data set forth below is based upon the Reserve Report dated effective March 31, 2018, with a preparation date of May 25, 2018. The reserves data summarizes the crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not

including the impact of any price risk management activities. The Reserve Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and the COGE Handbook.

The Reserve Report was not prepared by GLJ for the Company in contemplation of this Circular but rather in conjunction with the annual reporting of the Company. GLJ accepted the reserves data as provided by the Company and neither title searches nor field inspections were conducted. Due to rounding, certain columns may not add exactly.

All of the disclosed reserves are located in the province of Alberta and British Columbia.

The Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure Form 51-101F3 for the acquired Evaluated Assets are attached as Schedule “C” and “D” respectively to this Appendix “B”.

There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this Circular are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable crude oil, NGL and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. **It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ represent the fair market value of those reserves.**

The information relating to the Company's crude oil, NGL and natural gas reserves contains forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs, anticipated production and abandonment and reclamation costs. See “*Forward-Looking Statements*”, “*Certain Reserves Data Information*”, “*Industry Conditions*” and “*Risk Factors – Reserve Estimates*”.

Breakdown of Reserves (Forecast Case)

Summary of Oil and Gas Reserves

Reserves Category	Light & Medium Oil		Heavy Oil		Conventional Natural Gas		Shale Gas		Natural Gas Liquids	
	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net
	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	MMcf	MMcf	MMcf	Mbbl	Mbbl
Proved										
Producing	3,388	3,014	0	0	0	0	0	0	0	0
Developed										
Non-										
Producing	1,473	1,332	0	0	0	0	0	0	0	0
Undeveloped	1,077	964	19	18	2,171	2,032	1,920	1,939	352	298
Total Proved	5,938	5,310	19	18	2,171	2,032	1,920	1,939	352	298
Total Probable	3,183	2,805	84	80	1,045	953	2,015	2,004	302	240
Total Proved Plus Probable	9,121	8,116	103	98	3,216	2,985	3,935	3,944	654	538

Reserves Category	Oil Equivalent	
	Company Gross Mboe	Company Net Mboe
Proved		
Producing	3,388	3,014
Developed Non-Producing	1,473	1,332
Undeveloped	2,130	1,942
Total Proved	6,991	6,288
Total Probable	4,079	3,618
Total Proved Plus Probable	11,070	9,906

Net Present Value of Future Net Revenue (Forecast Case)

Net Present Value of Future Net Revenue

Reserves Category	Net Present Values of Future Net Revenue Before Income Taxes Discounted At (%/year)					Net Present Values of Future Net Revenue After Income Taxes Discounted At (%/year)					Unit Value Before Income Tax Discounted at 10%/year	
	0% M\$	5% M\$	10% M\$	15% M\$	20% M\$	0% M\$	5% M\$	10% M\$	15% M\$	20% M\$	\$/boe	\$/Mcf
Proved												
Producing	112,923	94,198	80,084	69,533	61,522	102,134	85,507	72,843	63,334	56,102	26.57	4.43
Developed Non-Producing	45,137	36,652	30,108	25,200	21,485	39,272	32,008	26,285	21,957	18,671	22.61	3.77
Undeveloped	32,051	21,471	14,302	9,375	5,907	28,027	18,372	11,816	7,319	4,165	7.37	1.23
Total Proved	190,110	152,321	124,493	104,107	88,915	169,433	135,888	110,944	92,610	78,938	19.80	3.30
Total Probable	139,530	87,852	58,921	41,993	31,473	122,878	77,242	51,549	36,513	27,183	16.28	2.71
Total Proved Plus Probable	329,640	240,173	183,415	146,101	120,388	292,312	213,130	162,493	129,124	106,121	18.52	3.09

Additional Information Concerning Future Net Revenue (Forecast Case)

Total Future Net Revenue (Undiscounted)

Reserves Category	Revenue M\$	Royalties M\$	Operating Costs M\$	Capital Development Costs M\$	Aband. & Recl. Costs M\$	Future Net Revenue Before Income Taxes M\$	Income Tax M\$	Future Net Revenue After Income Taxes M\$
Proved Producing	296,941	27,788	140,616	3,491	12,123	112,923	10,789	102,134
Proved Developed Non-Producing	113,948	10,461	45,639	7,732	4,980	45,137	5,864	39,272
Proved Undeveloped	118,045	12,541	29,647	41,542	2,264	32,051	4,023	28,027
Total Proved	528,933	50,791	215,902	52,765	19,367	190,110	20,677	169,433
Total Probable	323,533	37,648	117,738	23,201	5,416	139,530	16,652	122,878
Total Proved Plus Probable	852,466	88,439	333,640	75,965	24,782	329,640	37,328	292,312

Future Net Revenue by Product Type

	Future Net Revenue Before Income Taxes ⁽³⁾ (Discounted at 10% per year)		
	M\$	\$/boe	\$/Mcfe
Proved Producing			
Light & Medium Oil ⁽¹⁾	80,084	26.57	4.43
Heavy Oil ⁽¹⁾	0	0.00	0.00
Conventional Natural Gas ⁽²⁾	0	0.00	0.00
Shale Gas ⁽²⁾	0	0.00	0.00
Total: Proved Producing	80,084	26.57	4.43
Total Proved			
Light & Medium Oil ⁽¹⁾	120,755	20.99	3.50
Heavy Oil ⁽¹⁾	119	6.48	1.08
Conventional Natural Gas ⁽²⁾	0	0.00	0.00
Shale Gas ⁽²⁾	3,620	7.03	1.17
Total: Total Proved	124,493	19.80	3.30
Total Proved Plus Probable			
Light & Medium Oil ⁽¹⁾	173,854	19.84	3.31
Heavy Oil ⁽¹⁾	1,632	16.64	2.77
Conventional Natural Gas ⁽²⁾	0	0.00	0.00
Shale Gas ⁽²⁾	7,929	7.59	1.27
Total: Total Proved Plus Probable	183,415	18.52	3.09

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products but excluding solution gas.
- (3) Other company revenue and costs not related to a specific production group have been allocated proportionately to production groups. Unit values are based on Company net reserves.

Pricing Assumptions

The forecast cost and price assumptions above assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The following crude oil and natural gas benchmark reference pricing, inflation and exchange rates were utilized in the Reserve Report.

**Crude Oil and Natural Gas Liquids
GLJ (2018-04)
Effective April 1, 2018**

Year	Inflation %	CAD/USD Exchange Rate		NYMEX WTI Near Month Futures Contract Crude Oil at Cushing, Oklahoma		Brent Blend Crude Oil FOB North Sea		Light, Sweet Crude Oil (40 API, 0.3%S) at Edmonton		Bow River Crude Oil Stream Quality at Hardisty		WCS Crude Oil Stream Quality at Hardisty		Heavy Crude Oil Proxy (12 API) at Hardisty		Light Sour Crude Oil (35 API, 1.2%S) at Cromer		Medium Crude Oil (29 API, 2.0%S) at Cromer		Edmonton C5+ Stream Quality		
		USD/CAD	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current	Then Current
2018 Q2-Q4	0.0	0.7783	64.00	64.00	68.00	76.45	56.39	55.89	46.77	74.92	71.09	6.91	28.54	49.56	82.96							
2019	2.0	0.7900	62.75	64.00	68.00	75.95	59.36	58.86	51.06	74.43	70.63	7.54	30.38	53.16	81.52							
2020	2.0	0.8000	62.48	65.00	68.00	76.25	61.75	61.25	54.25	74.73	70.91	8.67	32.79	53.38	81.25							
2021	2.0	0.8100	62.66	66.50	69.50	77.16	64.08	63.58	57.02	75.62	71.76	9.87	35.49	54.01	82.10							
2022	2.0	0.8200	63.75	69.00	71.50	79.27	66.35	65.85	59.37	77.68	73.72	10.79	38.05	55.49	84.15							
2023	2.0	0.8300	64.76	71.50	74.00	81.33	68.57	68.07	61.65	79.70	75.63	11.15	40.66	56.93	86.14							
2024	2.0	0.8300	65.71	74.00	76.50	84.34	71.58	71.08	64.66	82.65	78.43	11.39	42.17	59.04	89.16							
2025	2.0	0.8300	66.60	76.50	79.00	87.35	74.60	74.10	67.67	85.60	81.23	11.63	43.67	61.14	92.17							
2026	2.0	0.8300	67.50	79.09	81.59	90.47	77.72	77.22	70.80	88.66	84.14	11.88	45.23	63.33	95.29							
2027	2.0	0.8300	67.50	80.67	83.17	92.37	79.62	79.12	72.70	90.53	85.91	12.12	46.19	64.66	97.19							
2028	2.0	0.8300	67.50	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr							+2.0%/yr

Note:

(1) Historical futures contract price is an average of the daily settlement price of the near month contract over the calendar month.

**Natural Gas and Sulphur
GLJ (2018-04)
Effective April 1, 2018**

Year	NYMEX Henry Hub Near Month Contract		Midwest Price at Chicago		Alliance Transfer Pool		Alberta Plant Gate		Saskatchewan Plant Gate		British Columbia		Alberta Sulphur at Plant		
	Constant	Then Current	Then Current	Then Current	Then Current	Then Current	Constant	Then Current	Constant	Then Current	Westcoast Station 2	Sumas	Spot Plant	Sulphur FOB Vancouver	Alberta Sulphur at Plant Gate
2018 Q2-Q4	USD/ MMBtu	USD/ MMBtu	USD/ MMBtu	USD/ MMBtu	CAD/ MMBtu	CAD/ MMBtu	2018 \$ MMBtu	CAD/ MMBtu	2018 \$ MMBtu	CAD/ MMBtu	MMBtu	MMBtu	MMBtu	USD/ MMBtu	CAD/ MMBtu
2018 Q2-Q4	2.80	2.80	2.70	2.21	1.99	1.99	1.99	2.21	2.21	2.21	1.81	2.38	1.60	90.00	65.63
2019	2.84	2.90	2.80	2.39	2.12	2.17	2.17	2.27	2.27	2.27	1.94	2.50	1.73	100.00	76.58
2020	3.08	3.20	3.10	2.72	2.40	2.49	2.49	2.59	2.59	2.59	2.32	2.80	2.11	102.00	77.50
2021	3.30	3.50	3.40	3.07	2.67	2.83	2.83	2.93	2.93	2.93	2.77	3.10	2.55	104.04	78.44
2022	3.42	3.70	3.60	3.34	2.87	3.10	3.10	3.20	3.20	3.20	3.04	3.30	2.82	106.12	79.41
2023	3.50	3.86	3.76	3.44	2.90	3.20	3.20	3.30	3.30	3.30	3.14	3.46	2.93	108.24	80.41

Alberta Plant Gate

Year	NYMEX Henry Hub Near Month Contract		Midwest Price at Chicago		AECO/NI T Spot		Alliance Transfer Pool Spot		Saskatchewan Plant Gate				British Columbia				Alberta Sulphur at Plant	
	Constant 2018 \$ USD/ MMBtu	Then Current USD/ MMBtu	Then Current USD/ MMBtu	Then Current USD/ MMBtu	Then Current CAD/ MMBtu	Then Current CAD/ MMBtu	Then Current CAD/ MMBtu	Then Current CAD/ MMBtu	SaskEnergy CAD/ MMBtu	Spot CAD/ MMBtu	Sumas Spot USD/ MMBtu	Westcoast Station 2 CAD/ MMBtu	Spot Plant Gate CAD/ MMBtu	Sulphur FOB Vancouver USD/It	Sulphur Gate CAD/It	Constant 2018 \$ USD/ MMBtu	Then Current USD/ MMBtu	
2024	3.50	3.94	3.84	3.51	3.27	3.27	3.27	3.27	3.37	3.41	3.54	3.21	3.00	110.40	83.01	3.50	3.94	
2025	3.50	4.02	3.92	3.58	3.34	3.34	3.34	3.44	3.44	3.48	3.62	3.28	3.07	112.62	85.69	3.50	4.02	
2026	3.50	4.10	4.00	3.66	3.41	3.41	3.41	3.51	3.51	3.56	3.70	3.36	3.14	114.87	88.40	3.50	4.10	
2027	3.50	4.18	4.08	3.73	3.48	3.48	3.48	3.58	3.58	3.63	3.78	3.43	3.21	117.17	91.17	3.50	4.18	
2028	3.50	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	3.50	+2.0%/yr	

Notes:

- (1) Unless otherwise stated, the gas price reference point is the receipt point on the applicable provincial gas transmission system known as the plant gate.
- (2) The plant gate price represents the price before raw gathering and processing charges are deducted.

**International and Frontier
GLJ (2018-04)
Effective April 1, 2018**

Year	Inflation %	CAD/USD Exchange Rate		GBP/USD Exchange Rate		EUR/USD Exchange Rate		NYMEX WTI Near Month Futures Contract Crude Oil at Cushing, Oklahoma		Light Louisiana Sweet Crude Oil		Maya Crude Oil		Brent Blend Crude Oil FOB North Sea		NYMEX Henry Hub Near Month Contract		Algonquin City-Gates		National Balancing Point (UK)			
		USD/ CAD	CAD/ USD	USD/ GBP	GBP/ USD	USD/ EUR	EUR/ USD	Then Current bbl	Then Current USD/ bbl	Then Current bbl	Then Current USD/ bbl	Then Current bbl	Then Current USD/ bbl	Then Current bbl	Then Current USD/ bbl	Then Current bbl	Then Current USD/ bbl	Then Current MMBtu	Then Current USD/ MMBtu	Then Current MMBtu	Then Current USD/ MMBtu	Then Current MMBtu	Then Current USD/ MMBtu
2018 Q2-Q4	0.0	0.7783	1.2400	1.4000	1.2400	64.00	82.23	66.50	85.44	59.16	76.01	68.00	87.37	2.80	3.60	4.20	5.40	6.25	8.03	6.25	8.03	6.25	8.03
2019	2.0	0.7900	1.1950	1.3500	1.1950	64.00	81.01	66.50	84.18	59.16	74.89	68.00	86.08	2.90	3.67	4.30	5.44	6.50	8.23	6.50	8.23	6.50	8.23
2020	2.0	0.8000	1.1500	1.3000	1.1500	65.00	81.25	67.50	84.38	59.16	73.95	68.00	85.00	3.20	4.00	4.60	5.75	6.75	8.44	6.75	8.44	6.75	8.44
2021	2.0	0.8100	1.3000	1.3000	1.1500	66.50	82.10	69.00	85.19	60.47	74.65	69.50	85.80	3.50	4.32	4.70	5.80	7.00	8.64	7.00	8.64	7.00	8.64
2022	2.0	0.8200	1.1500	1.3000	1.1500	69.00	84.15	71.50	87.20	62.21	75.86	71.50	87.20	3.70	4.51	4.70	5.73	7.15	8.72	7.15	8.72	7.15	8.72
2023	2.0	0.8300	1.1500	1.3000	1.1500	71.50	86.14	74.00	89.16	64.38	77.57	74.00	89.16	3.86	4.65	4.86	5.86	7.30	8.80	7.30	8.80	7.30	8.80
2024	2.0	0.8300	1.1500	1.3000	1.1500	74.00	89.16	76.50	92.17	66.55	80.19	76.50	92.17	3.94	4.75	4.94	5.95	7.45	8.98	7.45	8.98	7.45	8.98
2025	2.0	0.8300	1.1500	1.3000	1.1500	76.50	92.17	79.00	95.18	68.73	82.81	79.00	95.18	4.02	4.84	5.02	6.05	7.60	9.16	7.60	9.16	7.60	9.16
2026	2.0	0.8300	1.1500	1.3000	1.1500	79.09	95.29	81.59	98.30	70.98	85.52	81.59	98.30	4.10	4.94	5.10	6.14	7.75	9.34	7.75	9.34	7.75	9.34
2027	2.0	0.8300	1.1500	1.3000	1.1500	80.67	97.19	83.17	100.20	72.36	87.18	83.17	100.20	4.18	5.04	5.18	6.24	7.90	9.52	7.90	9.52	7.90	9.52
2028	2.0	0.8300	1.1500	1.3000	1.1500	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

Note:

- (1) Historical futures contract price is an average of the daily settlement price of the near month contract over the calendar month.

**US Liquids and Natural Gas
GLJ (2018-04)
Effective April 1, 2018**

Year	US Natural Gas Liquids (Then Current Dollars)						US Natural Gas (Then Current Dollars)					
	Conway			Mont Belvieu			Rockies Natural Gas			Algonquin City-Gates Natural Gas		
	80%-20% E/P Mix USD/bbl	Propane USD/bbl	Butane USD/bbl	Condensate USD/bbl	Ethane USD/bbl	Propane USD/bbl	Butane USD/bbl	Condensate USD/bbl	Natural Gas USD/MMBtu	Natural Gas USD/MMBtu	Natural Gas USD/MMBtu	Natural Gas USD/MMBtu
2018 Q2-Q4	7.70	38.40	48.00	62.08	9.80	39.68	48.00	62.72	2.50	4.20		
2019	7.97	28.80	41.60	57.60	10.15	30.08	41.60	58.88	2.60	4.30		
2020	8.80	29.25	42.25	58.50	11.20	30.55	42.25	59.80	2.90	4.60		
2021	9.63	29.93	43.23	59.85	12.25	31.26	43.23	61.18	3.20	4.70		
2022	10.17	31.05	44.85	62.10	12.95	32.43	44.85	63.48	3.40	4.70		
2023	10.61	32.18	46.48	64.35	13.51	33.61	46.48	65.78	3.56	4.86		
2024	10.83	33.30	48.10	66.60	13.79	34.78	48.10	68.08	3.64	4.94		
2025	11.06	34.43	49.73	68.85	14.07	35.96	49.73	70.38	3.72	5.02		
2026	11.28	35.59	51.41	71.18	14.35	37.17	51.41	72.76	3.80	5.10		
2027	11.50	36.30	52.44	72.60	14.63	37.91	52.44	74.22	3.88	5.18		
2028	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr		+2.0%/yr

Reserves Reconciliation

The Company's previous reserve evaluation prior to the March 31, 2018 GLJ reserve evaluation was dated effective February 29, 2017. A reserves reconciliation outlining the change from the previous report is below.

The Company has the below items to note in relation to changes in the Company's reserves since March 31, 2018 as they are not considered in the March 31, 2018 reserve reporting below:

- The Company acquired a 25.49% working interest in the Wabasca River Pipeline to bring total ownership to 100% as of the date of this Circular. The acquisition was comprised of the following reserves:
 - No changes to mbbbl of reserves as a midstream operation;
 - The impact to the future net revenues are as follows: \$6,056M, \$6,056M, and \$7,419M on a Proved Developed Producing, Total Proved and Total Proved Plus Probable basis respectively.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than proved reserves where significant expenditure is required to render them capable of production. The Reserve Report contains proved and probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGE Handbook. All of the undeveloped reserves are currently scheduled to be developed by the Company within the next two years.

There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see “*Risk Factors*”.

The following tables set forth the gross proved undeveloped reserves and the gross probable undeveloped reserves, each by product type, attributed to the Assets at March 31, 2018, based on forecast prices and costs.

Proved Undeveloped Reserves

Light & Medium Oil (Mbbl)		Heavy Oil (Mbbl)		Conventional Natural Gas (MMcf)		Natural Gas Liquids (Mbbl)	
Attributed This Year*	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total
238	1,077	19	19	0	2,171	233	352
Shale Gas (MMcf)		BOE (Mboe)					
Attributed This Year	Current Total	Attributed This Year	Current Total				
1,920	1,920	810	2,130				

It is anticipated that most of the proved undeveloped will be developed within the next five years.

Probable Undeveloped Reserves

Light & Medium Oil (Mbbl)		Heavy Oil (Mbbl)		Conventional Natural Gas (MMcf)		Natural Gas Liquids (Mbbl)	
Attributed This Year	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total
252	1,147	84	84	0	1,045	244	302
Shale Gas (MMcf)		BOE (Mboe)					
Attributed This Year	Current Total	Attributed This Year	Current Total				
2,015	2,015	916	2,043				

It is anticipated that most of the probable undeveloped reserves will be developed within the next five years

In general, once proved and/or probable undeveloped reserves are identified, they are scheduled into the Company's development plans. Normally, the Company plans to develop its current proved and probable undeveloped reserves within five years. A number of factors that could result in delayed or cancelled development are as follows: changing economic conditions (due to pricing, operating and capital expenditure fluctuations); changing technical conditions

(production anomalies such as water breakthrough or accelerated depletion); multi-zone developments (delay of a prospective formation completion until the initial completion is no longer economic); a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and surface access issues (landowners, weather conditions and/or regulatory approvals). See “*Use of Proceeds*”, “*Risk Factors*” and “*Industry Conditions*”.

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and natural gas prices and reservoir performance. Such revisions can be either positive or negative.

Other than as discussed above and the various risks and uncertainties that participants in the oil and natural gas industry are exposed to generally, the Company is unable to identify any important economic factors or significant uncertainties that will affect any particular components of the reserves data disclosed in this Circular. See “*Risk Factors*” and “*Industry Conditions*”.

GLJ's forecast of well abandonment and reclamation costs for all wells with reserves assigned are included in their report and therefore in their estimate of future net revenue. Specifically, provisions for the abandonment and reclamation of all of the Company's existing and future wells to which reserves have been attributed have been included based on regional values sourced from the AER for purposes of calculating GLJ's estimate of future net revenue, all other abandonment and reclamation costs were not included.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the future net revenue attributable to the reserve categories noted below for the Company.

Company Annual Capital Expenditures (M\$)

Entity Description	Year												Totals		10% Discounted	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Subtotal	Remainder		Total
Proved Producing	146	918	0	488	812	150	801	0	176	0	0	0	3,491	0	3,491	2,468
Total Proved	14,308	13,341	11,002	7,110	5,466	154	466	0	176	0	740	0	52,765	0	52,765	44,098
Total Proved Plus Probable	14,758	22,899	14,748	13,000	8,308	707	0	0	661	0	0	0	75,080	885	75,965	62,417

The Company expects to fund the development costs of these reserves through a combination of internally generated cash flow, equity issuances and debt. There can be no guarantee that funds will be available or that the Board of Directors will allocate funding to develop all of the reserves attributed to the Company in the Reserve Report. Failure to develop those reserves could have a negative impact on the Company's future cash flow.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that interest or other funding costs would make development of any of the properties uneconomic.

Other Oil and Natural Gas Information

Principal Oil and Natural Gas Properties

For a general description of the Company's important properties, see "Highwood Assets".

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which the Company had a working interest in effective as of the date of this Circular. All of the Company's wells are located onshore. Properties with no Attributable Reserves.

	Well Count		Gross								Net							
	Gross	Net	Oil	Gas	Shut-In	Susp	Aban	Disp	Inj	Other	Oil	Gas	Shut-In	Susp	Aban	Disp	Inj	Other
Op	573.00	518.99	140.00	8.00	1.00	105.00	276.00	5.00	25.00	13.00	131.84	6.51	0.44	93.25	245.77	5.00	24.06	12.12
Non-Op	73.00	22.92	8.00	0.00	0.00	14.00	46.00	0.00	0.00	5.00	2.15	0.00	0.00	3.39	16.07	0.00	0.00	1.31
Total	646.00	541.91	148.00	8.00	1.00	119.00	322.00	5.00	25.00	18.00	133.99	6.51	0.44	96.64	261.84	5.00	24.06	13.43

The following table sets forth the gross and net hectares of unproved properties held by the Company as at the date of this Circular and the maximum net area of unproved properties for which the Company expects the rights to explore, develop and exploit to expire during 2018. There are no material work commitments necessary to maintain these properties.

	Unproved Properties		
	Gross Hectares	Net Hectares	2018 Expiring Net Hectares
Canada	176,611	138,505	nil

Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves

For information with respect to the Company's reclamation and abandonment obligations for the properties to which reserves have been attributed, see "Additional Information Relating to Reserves Data – Significant Factors or Uncertainties".

The following table sets forth the Company's estimate of reclamation and abandonment obligations for the properties to which no reserves have been attributed.

Year	Abandonment and Reclamation Costs (Undiscounted) (M\$)	Abandonment and Reclamation Costs (Discounted at 10%) (M\$)
2018	-	-
2019	-	-
2020	-	-
Thereafter	1,945	1,365
Total	1,945	1,365

Forward Contracts

The Company has no various hedging commitments in place with a Canadian Chartered Bank in order to mitigate exposure to changing commodity prices in the future. The outstanding hedge commitments at September 30, 2018 are as follows:

CAD Swaps:

Product	Notional Volume	Term	Fixed Price (CAD/bbl)	Index
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 76.10	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2018 to December 31, 2018	\$ 85.50	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2018 to December 31, 2018	\$ 85.85	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2019 to December 31, 2019	\$ 89.09	WTI - NYMEX

USD Swaps:

Product	Notional Volume	Term	Fixed Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.85	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 57.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.25	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 57.00	WTI - NYMEX

CAD Collars:

Product	Notional Volume	Term	Collar Cap (CAD/bbl)	Collar floor (CAD/bbl)	Index
Crude Oil	50bbls/day	July 1, 2019 to September 30, 2019	\$ 87.50	\$ 70.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to December 31, 2019	\$ 85.50	\$ 70.00	WTI - NYMEX
Crude Oil	50bbls/day	July 1, 2019 to December 31, 2019	\$ 91.80	\$ 70.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 88.40	\$ 70.00	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2019 to December 31, 2019	\$ 91.75	\$ 70.00	WTI - NYMEX

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	250bbls/day	October 1, 2018 to December 31, 2018	\$ 60.10	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	October 1, 2018 to December 31, 2018	\$ 60.15	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 55.20	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 55.05	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 55.65	\$ 47.50	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 60.32	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 66.00	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 63.10	\$ 55.00	WTI - NYMEX

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	200bbls/day	October 1, 2018 to December 31, 2018	\$ (4.75)	Edmonton Light vs. WTI - NYMEX

Tax Horizon

The Company anticipates that income taxes are payable by the Company in 2019 in the proved producing category due to current tax pools. No income taxes are forecast to be payable for 2018.

Costs Incurred & Development Activity

The Company incurred \$2,881,197 of development costs during the year ended December 31, 2017. The majority of the capital activity related to recompletion and fracs of existing wellbores to increase production.

During the nine-month period ended September 30, 2018, the Company incurred costs of \$8,571,151 relating to several well recompletions and two drills in Red Earth, Alberta. The Company also spent \$5,021,157 after closing adjustments to acquire a 74.51% working interest in the Wabasca River Pipeline (see “Highwood Assets”).

See “*Highwood Assets*” and “*Description of the Business*” for a description of the Company's exploration and development plans.

Production Estimates

The following table sets out the volumes of working interest production before royalties, using forecast prices and costs, estimated for the period of April 1, 2018 to December 31, 2018, as evaluated by GLJ which is reflected in the estimate of future net revenue disclosed in the tables above.

Summary of First Year Production

Entity Description	Light & Medium Oil			Heavy Oil			Conventional Natural Gas			Shale Gas			Natural Gas Liquids			Oil Equivalent			
	Company	Net		Company	Gross	Net	Company	Gross	Net	Company	Gross	Net	Company	Gross	Net	Company	Gross	Net	
	bbl/d	bbl/d		bbl/d	bbl/d	bbl/d	Mcf/d	Mcf/d	Mcf/d	Mcf/d	bbl/d	bbl/d	bbl/d	bbl/d	bbl/d	bbl/d	boe/d	boe/d	boe/d
Proved Producing	Conventional																		
	Panny	647	539	0	0	0	0	0	0	0	0	0	0	0	0	0	647	539	
	Others	760	640	0	0	0	0	0	0	0	0	0	0	0	0	0	760	640	
Total: Conventional Non-conventional	Others																		
		1407	1179	0	0	0	0	0	0	0	0	0	0	0	0	0	1407	1179	
	Total: Non-conventional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total: Proved Producing Proved Developed Non-Producing	Conventional																		
		1407	1179	0	0	0	0	0	0	0	0	0	0	0	0	0	1407	1179	
	Panny	114	101	0	0	0	0	0	0	0	0	0	0	0	0	0	114	101	
Total: Conventional Non-conventional	Others																		
		259	230	0	0	0	0	0	0	0	0	0	0	0	0	0	259	230	
	Total: Non-conventional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total: Proved Developed Non-Producing Proved Undeveloped	Conventional																		
		259	230	0	0	0	0	0	0	0	0	0	0	0	0	0	259	230	
	Panny	30	27	0	0	0	0	0	0	0	0	0	0	0	0	0	30	27	
Total: Conventional Non-conventional	Others																		
		106	99	0	0	0	0	0	0	0	0	0	0	0	0	0	106	99	
	Total: Non-conventional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total: Proved Undeveloped Total Proved	Conventional																		
		106	99	0	0	0	0	0	0	0	0	0	0	0	0	0	106	99	
	Panny	791	667	0	0	0	0	0	0	0	0	0	0	0	0	0	791	667	
Total: Conventional	Others																		
		1772	1508	0	0	0	0	0	0	0	0	0	0	0	0	0	1772	1508	
	Total: Conventional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Entity Description	Light & Medium Oil			Heavy Oil			Conventional Natural Gas			Shale Gas			Natural Gas Liquids			Oil Equivalent					
	Company		Net	Company		Net	Company		Net	Company		Gross	Company		Net	Company		Gross	Company		Net
	bbl/d	bbl/d	bbl/d	bbl/d	bbl/d	bbl/d	Mcf/d	Mcf/d	Mcf/d	Mcf/d	Mcf/d	bbl/d	bbl/d	bbl/d	bbl/d	bbl/d	bbl/d	boe/d	boe/d	boe/d	
Non-conventional	0	0	0	0	0	0	259	270	270	31	28	75	73								
Total: Non-conventional	0	0	0	0	0	0	259	270	270	31	28	75	73								
Total: Total Proved Total Probable	1772	1508	0	0	0	0	259	270	270	31	28	1847	1581								
Conventional	60	50	0	0	0	0	0	0	0	0	0	60	50								
Panny Others	50	44	0	0	0	0	0	0	0	0	0	50	44								
Total: Conventional Non-conventional	111	93	0	0	0	0	0	0	0	0	0	111	93								
Others	0	0	0	0	0	0	58	61	61	7	6	17	16								
Total: Non-conventional	0	0	0	0	0	0	58	61	61	7	6	17	16								
Total: Total Proved Total Probable Plus Probable	111	93	0	0	0	0	58	61	61	7	6	127	110								
Conventional	851	717	0	0	0	0	0	0	0	0	0	851	717								
Panny Others	1031	885	0	0	0	0	0	0	0	0	0	1031	885								
Total: Conventional Non-conventional	1882	1602	0	0	0	0	0	0	0	0	0	1882	1602								
Others	0	0	0	0	0	0	318	331	331	38	34	91	89								
Total: Non-conventional	0	0	0	0	0	0	318	331	331	38	34	91	89								
Total: Total Proved Plus Probable	1882	1602	0	0	0	0	318	331	331	38	34	1974	1691								

Production History

The following table summarizes the Company's share of the average gross daily production volumes, before deduction of royalties, for the financial year ended December 31, 2017 and the quarters ended March 31, 2018, June 30, 2018, and September 30, 2018.

Production History – Highwood's Share of Average Gross Daily Production Volumes

Daily average volume	Quarter ended March 31, 2017	Quarter ended June 30, 2017	Quarter ended September 30, 2017	Quarter ended December 31, 2017	Quarter ended March 31, 2018	Quarter ended June 30, 2018	Quarter ended September 30, 2018
Light & Medium Crude Oil (bbl/d)	1,389	1,166	1,128	1,111	1,087	1,242	1,033
Natural Gas (Mcf/d)	6,202	3,358	91	73	38	52	16
Natural Gas Liquids (boe/d)	410	238	2	1	0	1	0
Oil Equivalent (Boe/d)	2,833	1,964	1,145	1,124	1,094	1,252	1,036

The following table sets forth, by product type, the average gross daily production of the Company before deduction of royalties, the prices received, royalties paid, production costs incurred and the resulting netback on a per unit volume basis, quarterly and for the year ended December 31, 2017 and the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018.

Production History – Average per Unit of Volume Results

As a Company, over 99% of current product revenues are derived from light Crude Oil sales, the netback history of which is below:

	Quarter ended March 31, 2017	Quarter ended June 30, 2017	Quarter ended September 30, 2017	Quarter ended December 31, 2017	Quarter ended March 31, 2018	Quarter ended June 30, 2018	Quarter ended September 30, 2018
Light & Medium Crude Oil (\$/Bbl)							
Average sales price	\$56.28	\$54.66	\$48.74	\$60.71	\$64.59	\$71.24	\$76.97
Royalties	\$(7.11)	\$(7.24)	\$(4.48)	\$(6.68)	\$(10.14)	\$(11.00)	\$(12.53)
Production and operating expenses ⁽¹⁾	\$(30.25)	\$(30.85)	\$(38.43)	\$(30.19)	\$(53.42)	\$(30.09)	\$(53.34)
Operating netback	\$18.92	\$16.57	\$5.83	\$23.83	\$1.03	\$30.15	\$11.10

Note:

(1) Production and operating expenses have been shown net of transportation expenses.

The following table sets forth the production volumes for the year ended December 31, 2017 by product type for the Assets. There were four fields that comprised more than 10 percent of the total production on a BOE basis.

Production History - by Field, for Each Product Type

	Light & Medium Crude Oil (Bbl)	Conventional Natural Gas (Mcf)	Shale Gas (Mcf)	Natural Gas Liquids (Bbl)	Oil Equivalent (Boe)
Panny (Red Earth)	157,214	-	-	-	157,214
House Creek (Red Earth)	73,809	-	-	-	73,809
West Central (Jan – Apr 2017)	19,954	847,734	-	51,962	213,213
South Senex (Red Earth)	86,709	-	-	-	86,709
Other Fields	105,417	28,375	-	557	110,695
Total	443,103	876,109	-	52,519	641,640

OTHER BUSINESS INFORMATION

Specialized Skill and Knowledge

The Company employs individuals with various professional skills in the course of pursuing its business plan. In addition, the Company has available to it various specialized consultants to assist it in various areas where it feels it doesn't need full time employees. These professional skills include, but are not limited to, geology, geophysics, engineering, financial and business skills, which are widely available in the industry. Drawing on significant experience in the oil and natural gas business, the Company believes its management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; and an entrepreneurial spirit that allows the Company to effectively identify, evaluate and execute on value added initiatives.

Competitive Conditions

The oil and natural gas industry is very competitive, and the Canadian Association of Petroleum Producers estimates that there are over 1,000 exploration and production companies in Canada. The Company believes that it has a strong competitive position in the areas in which it operates, see “*Highwood Reserves – Disclosure of Reserves Data – Other Oil and Natural Gas Information – Principal Oil and Natural Gas Properties*”, and “*Highwood Assets*”. The Company's business strategy is to develop and grow production in core areas to enable it to have operating cost advantages and operating efficiencies in each core area.

Companies operating in the petroleum industry must manage risks which are beyond the direct control of company personnel. Among these risks are those associated with exploration, environmental damage, commodity prices, foreign exchange rates and interest rates.

The oil and natural gas industry is intensely competitive and the Company is required to compete with a substantial number of other entities which may have greater technical or financial resources. With the maturing nature of the WCSB, the access to new prospects is becoming more and more competitive and complex.

The Company attempts to enhance its competitive position by operating in areas where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because they are familiar with the areas of operation. Management believes that the Company will be able to explore for and develop new production and reserves with the objective of increasing its cash flow and reserve base. See “*Risk Factors – Competition*”.

Cycles

The Company's business is generally not cyclical. The exploration for and the development of oil and natural gas reserves is dependent on access to areas where drilling is to be conducted. Seasonal weather variation, including “freeze-up” and “break-up”, affect access in certain circumstances. See “*Risk Factors – Seasonality*”.

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Company. For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Company see “*Industry Conditions – Environmental Regulation*” and “*Risk Factors – Environmental*”.

Employees

As at the date of this Circular, Highwood had ten full time employees and two contractors located at its office in Calgary. There are currently fourteen contractors located in the Red Earth, Alberta field who alternate shifts with one another.

Reorganizations

Since incorporation, the Company has not completed any material reorganization. No material reorganization is currently proposed for the current financial year. See “*Description of the Business – General History and Recent Transactions*”.

Environmental, Health and Safety Policies

The Company supports environmental protection and employee health and safety by integrating the essential principles and practices through its environmental management systems and employee occupational health and safety programs. The Company promotes safety and environmental awareness and protection through the implementation and communication of the Company's environmental management and employee occupational health and safety programs, policies and procedures. Committee structures are established in the Company's operations which are designed to allow for employee participation and development of policies and programs which provide employees with job orientation, training, instruction and supervision to assist them in conducting their activities in an environmentally responsible and safe manner.

The Company will develop emergency response teams and preparedness plans in conjunction with local authorities, emergency services and the communities in which it operates in order to effectively respond to an environmental incident should it arise. Environmental assessments will be undertaken for new projects or when acquiring new properties or facilities in order to identify, assess and minimize environmental risks and operational exposures. The Company will conduct audits of operations, once it begins operating the Assets, to confirm compliance with internal standards and to stimulate improvement in practices where needed. Documentation will be maintained to support internal accountability and measure operational performance against recognized industry indicators to assist in achieving the objectives of the described policies and programs.

The Company also faces environmental, health and safety risks in the normal course of its operations due to the handling and storage of hazardous substances. The Company's environmental and occupational health and safety management systems are designed to manage such risks in the Company's business and allow action to be taken to mitigate the extent of any environmental, health or safety impacts from such operations. A key aspect of these systems is the performance of annual environmental and occupational health and safety audits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the Company for the year ended December 31, 2017 and for the period ended September 30, 2018 are included in this Circular in Schedule “FS” – “*Index to Financial Statements and Management's Discussion and Analysis*”.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Related party transactions are disclosed in the Company's financial statements for the years ended December 31, 2017 and December 31, 2016 and the period ended September 30, 2018, see note 21 and 16 respectively. The financial statements are included in this Circular in Schedule "FS" – "*Index to Financial Statements and Management's Discussion and Analysis*".

DIVIDEND RECORD AND POLICY

The Company has paid the below dividends on its Highwood Shares since inception. Any future payments of dividends will be at the discretion of the Board and will depend upon the financial condition, capital requirements and earnings of the Company as well as other factors it may deem relevant. The Company's articles of incorporation and by-laws do not contain any restrictions on the payments of dividends.

January 2013- \$ 3,500,000
December 2016 - \$1,300,000
December 2017 - \$750,000

DESCRIPTION OF SHARE CAPITAL

The following is a description of the rights, privileges, restrictions and conditions attaching to the Company's share capital.

Authorized Shares

The Company is authorized to issue an unlimited number of Highwood Shares and an unlimited number of Preferred Shares, issuable in series, without nominal or par value, of which, as at the date hereof, 5,744,204 Highwood Shares are issued and outstanding as fully paid and non-assessable.

Common Shares

The holders of Highwood Shares shall be entitled, subject to the rights, privileges, restrictions and conditions attached to any Preferred Share, to dividends if, as and when declared by the directors, to one vote per share at meetings of the holders of Highwood Shares and, subject to the rights, privileges, restrictions and conditions attached to any Preferred Share, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Highwood Shares. All of the Highwood Shares to be issued and outstanding upon Completion of the Highwood QT will be issued as fully paid and non-assessable.

Preferred Shares

The Company is also authorized to issue an unlimited number of Preferred Shares without nominal or par value, of which, as at the date hereof, none have been issued. The Preferred Shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The Preferred Shares are entitled to a priority over the Highwood Shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Company.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated share capitalization of the Company as at the date of this Circular, before giving effect to the Highwood QT. This table must be read in conjunction with the Company's management's discussion and analysis and the Company's financial statements and accompanying notes contained in this Circular.

	As at date of this Circular before giving effect to the Highwood QT
Basic	
Highwood Shares (unlimited)	5,744,204
Share Capital	\$12,820,019
Options	Nil
RSUs	Nil
Preferred Shares (unlimited)	Nil
Fully Diluted	
Highwood Shares (unlimited)	5,744,204
Preferred Shares (unlimited)	Nil

Notes:

- (1) The Company will adopt a new Stock Option Plan and an RSU/PSU Plan assuming close of the Highwood QT. See “*Executive Compensation*”.
- (2) See “Options and Other Rights to Purchase Securities” for a summary of the number of shares subject to option, exercise prices and expiry dates anticipated.
- (3) Retained earnings as at September 30, 2018 was \$15,732,259

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

There are no Options, RSUs or other rights to purchase securities in the capital of the Company outstanding as of the date of this Circular. The below options, RSUs and PSUs are anticipated to be granted at closing of the Highwood QT:

Name and Principal Position	Options ⁽¹⁾	RSUs ⁽²⁾	PSUs ⁽³⁾
Greg Macdonald President & CEO	22,000	22,000	10,000
Graydon Glans CFO	22,000	22,000	10,000
Kelly McDonald VP, Exploration	22,000	22,000	10,000
Directors	6,000	6,000	-
Remaining Employees	17,600	17,600	19,000
Total	89,600	89,600	49,000

Notes:

- (1) Stock option compensation will vest 1/3 every year from date of grant. Options have exercise price of \$9/share and expire 5 years from grant date.
- (2) RSUs will vest 1/3 every year from date of grant. Issued at fair value of \$9/share on grant date and expire 5 years from grant date.

- (3) PSUs will vest 1/3 every year from date of grant and be triggered by performance metrics of the Company. Issued at fair value of \$9/share on grant date and expire 5 years from grant date.

Following closing and based on recommendations made by the Corporate Governance & Compensation Committee, the Board will make further decisions regarding the long-term incentive compensation for management and the Board.

PRIOR SALES

In October, 2018, the Company reacquired 100,000 shares from a shareholder and director at \$5 per share for a total cash outlay of \$500,000. The shares were returned to treasury and cancelled.

In October, 2018, the Company issued 305,530 Highwood Shares as a result of the Company terminating previous stock option agreements.

PRINCIPAL SHAREHOLDERS

Except as set forth below, to the knowledge of the Company, and based on existing information, as at the date hereof, there are no persons who beneficially own, or exercise control or direction over, directly or indirectly, over more than 10% of the Highwood Shares.

Shareholder	Number of Securities	Type of Ownership	% of Class of Securities before the Highwood QT ⁽¹⁾
1080766 Alberta Ltd. ⁽²⁾	4,035,120 Highwood Shares	of record and beneficial	70.2

Notes:

- (1) The percentages are based on the total outstanding 5,744,204 Highwood Shares at the date of this Circular. There are no Options, RSUs, PSUs or other rights to purchase securities in the capital of the Company outstanding as of the date hereof that are vested and therefore, such percentages also represent percentage shareholdings on a fully-diluted basis.
- (2) 1080766 Alberta Ltd. is owned and controlled by Joel A. MacLeod.

DIRECTORS AND OFFICERS

Summary Information

The following table sets forth certain summary information in respect of the Company's directors and officers as at the date of this Circular.

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since	Highwood Share Ownership ⁽¹⁾
Joel A. MacLeod ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director	Chairman of Tidewater Midstream and Infrastructure Ltd. since February 2015 and President and Chief Executive Officer of Tidewater Midstream and Infrastructure Ltd. since April 2015. Director of Predator Oil BC Ltd. from February 2017 to June 2018. Director of Fireweed Energy Ltd. since December 2016. Prior thereto, Vice President, Rail of Secure Energy Services Ltd. from August 2014 to March 2015. Prior thereto, founding Chief Executive Officer, director and majority shareholder of Predator Midstream Ltd. from January 2012 to its sale in August 2014.	August 24, 2012	4,035,120
Stephen J. Holyoake ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director	President and Chief Executive Officer of Fireweed Energy Ltd. since February 2017. Director of Predator Oil BC Ltd. from February 2017 to June 2018. Director of Tidewater since April 2016. Director of Fireweed Energy Ltd. since January 2016. Prior thereto, Vice President, Drilling and Completions of Tangle Creek Energy Ltd. from May, 2012 to February, 2017. Prior thereto, Vice President, Operations of SkyWest Energy Corp. from May 2010 to December 2011.	October 10, 2012	134,493
Trevor Wong-Chor ⁽⁴⁾⁽⁵⁾ Alberta, Canada	Secretary	Partner with DLA Piper (Canada) LLP (and its predecessor firms) since September, 2004. Prior thereto, Partner and Associate at Borden Ladner Gervais LLP (and its predecessor firms) from 1998 to 2004.	N/A	Nil
Graydon Glans Alberta, Canada	CFO	Chief Financial Officer of Highwood since June 15, 2015. Prior thereto, Controller, PRD Canada, Secure Energy Services from August 2014 to April 2015. Manager Financial Reporting, Predator Midstream Ltd. from May 2014 until its sale in August 2014. Manager, Collins Barrow Calgary LLP from January 2013 to April 2014.	N/A	19,500

<u>Name, Province and Country of Residence</u>	<u>Position Held</u>	<u>Principal Occupation for the Last Five Years</u>	<u>Director Since</u>	<u>Highwood Share Ownership ⁽¹⁾</u>
Kelly McDonald Alberta, Canada	Vice President, Exploration	Vice President Exploration of Highwood since February 1, 2017. Prior thereto, Principal, KJ McDonald Consulting from April 2016 to February 2017 and from May 2013 to June 2014, VP, Exploration, Reserve Royalty Income Trust from October 2014 to March 2016, Geological Manager, Lighthouse Oil and Gas LP, June 2014 to October 2014.	N/A	19,000
Greg Macdonald Alberta, Canada	President, CEO & Director	President, CEO & Director of Highwood since June 15, 2017 and President & COO of Highwood since May 11, 2015. Prior thereto, VP, Engineering with Highwood from May 2014 to May 2015. VP, Engineering with Predator Midstream from May 2014 to August 2014. VP, Engineering with Tidewater Midstream & Infrastructure Ltd. from March 2015 to December 2016. Senior Area Manager, Molopo Energy Canada from August 2013 to May 2014. Greg has served as a director for Cedar Creek Energy Ltd. from December 2016 to present, Mach Energy Services Inc. from January 2015 to June 2017, Hoist Capital Corporation from September 2018 to present and Battle River Energy from June 2018 to present.	June 8, 2017	311,061

Notes:

- (1) Represents Highwood Shares and other securities beneficially owned, controlled or directed (directly or indirectly) by the director or officer as of the date hereof based on information provided by such individuals.
- (2) Member of the Audit Committee. Joel A. MacLeod is the Chair of the Audit Committee.
- (3) Member of the Corporate Governance & Compensation Committee. Stephen J. Holyoake is the Chair of the Corporate Governance & Compensation Committee.
- (4) Member of the Reserves, Safety and Environmental Committee. Stephen J. Holyoake is the Chair of the Reserves, Safety and Environmental Committee.

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the ABCA. Each director will devote the amount of time as is required to fulfill his obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

Directors and Officers – Biographies

The following are brief profiles of the directors and officers of the Company, including a description of each individual's principal occupation within the past five years.

Greg Macdonald – President, Chief Executive Officer and Director

Mr. Macdonald has more than 20 years of experience in both Canada and the U.S. and holds a Bachelor of Science degree in Oil & Gas Engineering from the University of Calgary. Previously, Mr. Macdonald was the VP, Engineering of Tidewater Midstream & Infrastructure Ltd., a public oil & gas midstream company. Prior thereto, Mr. Macdonald worked in various engineering roles at both private and public oil and gas companies. Mr. Macdonald has been actively involved in more than 30 oil and gas acquisitions ranging in size from \$100,000 to \$105 million.

Joel A. MacLeod – Chairman

Mr. MacLeod has over 20 years of experience in the oil and gas industry and has been involved in an executive or director capacity with over seven oil and gas companies. He has been actively involved in greater than 50 oil and gas acquisitions and dispositions and ranging in size from \$100,000 to \$5 billion, with the five most lucrative sales being to companies with greater than \$2 billion dollar enterprise values. Mr. MacLeod has been the founding Chief Executive Officer of three oil and gas companies over the past six years and is currently the President & CEO of Tidewater Midstream & Infrastructure Ltd. He has a track record of creating value for shareholders in each of his previous companies.

Stephen J. Holyoake – Director

Mr. Holyoake brings over 25 years of operations, engineering and management experience to the Company. He has worked in all disciplines of the oil and gas business from exploration to midstream operations. Mr. Holyoake is a Professional Engineer and obtained his Degree in Petroleum Engineering from Montana School of Mines in 1997 and a Petroleum Engineering Technology Diploma from the Southern Alberta Institute of Technology in 1993.

Trevor Wong-Chor – Secretary

Mr. Wong-Chor has been a Partner of DLA Piper (Canada) LLP (and its predecessor firms) since September 2004. Prior thereto, he was Partner and Associate at Borden Ladner Gervais LLP (and its predecessor firms) from 1998 to 2004. He is a corporate secretary or director of a number of public and private companies. Mr. Wong-Chor obtained a Bachelor of Arts degree from the University of Victoria in 1992 and a Bachelor of Laws degree from the University of Calgary in 1997.

Graydon Glans – Chief Financial Officer

Mr. Glans is a Chartered Accountant and CFA Charterholder with over 10 years of financial and management experience with public and private companies. He obtained a Bachelor of Commerce degree from the University of British Columbia in 2009, received his Chartered Accountant designation in February 2012 and became a CFA Charterholder in August 2015. Prior to becoming the Chief Financial Officer of Highwood in April 2015, Mr. Glans has held the positions of Controller, PRD Canada, with Secure Energy Services and Manager Financial Reporting, Predator Midstream Ltd. Mr. Glans articulated and was a former manager with Collins Barrow Calgary LLP.

Kelly McDonald – Vice President, Exploration

Mr. McDonald is a Professional Geologist with over 25 years of oil and gas experience in Canada and the US. Mr. McDonald has been an officer in a number of oil and gas companies over the last 10 years and has been intricately involved in exploration and development of both conventional and unconventional assets across North America. Mr. McDonald has been actively involved in over 30 oil and gas acquisitions ranging from \$100,000 to \$150 Million.

Mr. McDonald obtained a Bachelor of Science with a Specialization in Geology from the University of Calgary in 1995 and is a Professional Geologist in the Province of Alberta.

Committees of the Board of Directors

The Company has an Audit Committee, a Reserves, Safety and Environmental Committee, and a Corporate Governance & Compensation Committee. See “*Audit Committee*” and “*Statement of Corporate Governance Practices*” for a description of the roles and responsibilities of each of the committees.

Share Ownership by Directors and Officers

As a group, the Company's officers and directors beneficially own or exercise control or direction over, directly or indirectly, 4,519,174 Highwood Shares representing approximately 78.7% of the issued and outstanding Highwood Shares prior to giving effect to the Highwood QT.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of management no director or executive officer as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any corporation (including the Company), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means: (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant Company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of management no director, executive officer of the Company or a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management no director, executive officer or Shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has incurred any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Trevor Wong-Chor, as Director and Secretary of the Company, is a Partner with DLA Piper (Canada) LLP, which provides legal services to the Company on a fee for services basis.

There are potential conflicts of interest to which the directors and officers of the Company may be subject to in connection with the operations of the Company. In particular, certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations, including Fireweed Energy Ltd. and Tidewater Midstream & Infrastructure Ltd., which may give rise to conflicts of interest with the Company. See "*Principal Shareholders*", "*Description of the Business – History and Recent Transactions*", "*Interests of Management and Others in Material Transactions*", and "*Promoters*".

Highwood, as sub-tenant, and Tidewater Midstream and Infrastructure Ltd., as sub-landlord, are parties to a sub-lease agreement dated March 31, 2017 regarding Highwood's head office lease.

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Certain of the directors and each of the executive officers of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers of the Company will only be able to devote part of their time to the affairs of the Company. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

Insurance Coverage and Indemnification

The Company maintains liability insurance for its directors and officers with coverage and terms that are customary for a Company of its size and industry. In addition, the Company has entered into indemnification agreements with its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, so long as the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

EXECUTIVE COMPENSATION

The discussion of compensation matters contained herein represents all significant elements of the compensation to be awarded to, earned by, paid to, or payable to the Company's executive officers, employees and directors, including the "Named Executive Officers", upon closing of the Highwood QT, to the extent this compensation has been determined as of the date of this Circular.

Following closing of the Highwood QT and based on recommendations made by the Compensation Committee, the Board will make further decisions regarding salaries, bonuses, short-term incentives and long-term incentive compensation for management, and will approve corporate goals and objectives relevant to the compensation of management and the CEO.

Following closing of the Highwood QT and based on recommendations made by the Compensation Committee, the Board will also make further decisions regarding fees, short-term incentives and long-term incentive compensation for the Board.

SUMMARY COMPENSATION TABLE - NEOs

Summary Compensation Table

The following table provides information concerning compensation of the Named Executive Officers for the years ended December 31, 2017, 2016 and 2015.

Name and Principal Position	Financial year ended December 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$) ⁽²⁾	Long-Term Incentive Plans (\$)			
Greg Macdonald ⁽³⁾ President & CEO	2017	163,542	Nil	Nil	212,613	Nil	Nil	Nil	376,155
	2016	157,083	Nil	Nil	87,500	Nil	Nil	7,385	251,968
	2015	145,000	Nil	576,400	50,000	Nil	Nil	Nil	771,400
Kelly McDonald ⁽⁴⁾ VP - Operations	2017	150,208	Nil	116,000	145,303	Nil	Nil	3,809	275,320
Graydon Glans ⁽⁵⁾ CFO	2017	163,542	Nil	Nil	161,067	Nil	Nil	Nil	324,609
	2016	158,083	Nil	Nil	57,500	Nil	Nil	Nil	215,553
	2015	88,500	Nil	78,600	10,000	Nil	Nil	Nil	177,100

Notes:

- (1) The Company follows the fair value method of accounting for all stock-based compensation arrangements. The values reported represent an estimate of the grant date fair value of the Options calculated in accordance with the Black-Scholes option pricing model. Please see the audited annual financial statements of the Company for the years ended December 31, 2017 and 2016 for details regarding the assumptions underlying these Black-Scholes estimates. The Black-Scholes model is a pricing model that may or may not reflect the actual value of the Options. The Black-Scholes methodology was selected in order to maintain consistency with the Company's prior practice and because it is widely used by Canadian public companies for estimated option-based compensation.
- (2) Represents cash bonuses paid to Named Executive Officers in the respective year.
- (3) All amounts were received as compensation in relation Mr. Macdonald's role as an NEO of the Company and not as a director. No compensation was awarded to Mr. Macdonald in his capacity as a director.
- (4) Kelly McDonald was appointed the Company's VP, Exploration on February 1, 2017.
- (5) Graydon Glans was appointed as the Company's CFO on June 15, 2015.

Compensation Discussion and Analysis

Role and Composition of the Corporate Governance & Compensation Committee

The Company's executive compensation program is administered by the Corporate Governance & Compensation Committee of the Board. The Corporate Governance & Compensation Committee's mandate includes reviewing and making recommendations to the Board in respect of the compensation matters relating to the Company's executive officers, employees and directors, including the "Named Executive Officers" who are identified in the "Summary Compensation Table", above.

The Corporate Governance & Compensation Committee members are Stephen J. Holyoake (Chair), Joel A. MacLeod, and Greg Macdonald, of which Stephen J. Holyoake is independent for the purpose of NI-58-101 (see "Statement of Corporate Governance Practices – Board of Directors"). The skills and experience possessed by

proposed members of the Compensation Committee were acquired as a result of their experience as described under “*Directors and Officers*” will assist and enable them to make decisions on the suitability of the Company's compensation policies and practice.

The responsibilities of the Corporate Governance & Compensation Committee in respect of compensation matters will include: (i) reviewing and recommending to the Board the compensation policies and guidelines for supervisory management and personnel, corporate benefits, bonuses and other incentives; (ii) reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation and non-CEO officer and director compensation; (iii) reviewing of executive compensation disclosure; (iv) succession plans for officers and for key employees; and (v) material changes and trends in human resources policy, procedure, compensation and benefits. The Corporate Governance & Compensation Committee will have unrestricted access to the Company's personnel and documents and is provided with the resources necessary, including, as required, the engagement and compensation of outside advisors, to carry out its responsibilities.

Compensation Principles and Objectives

The Company's compensation program supports its commitment to deliver strong performance for its Shareholders. The compensation policies are designed to attract, recruit and retain quality and experienced people. In addition, the compensation program is intended to create an alignment of interests between the Company's executive officers and other employees with the long-term interests of the Shareholders to ultimately enhance share value. In this way, a significant portion of each executive's compensation is linked to maximizing Shareholder value.

The compensation program supports the Company's long-term growth strategy and is designed to:

- (a) align executive compensation with corporate performance and appropriate peer group comparisons;
- (b) produce long-term, positive results for Shareholders;
- (c) provide market competitive compensation and benefits to attract and retain highly qualified management; and
- (d) provide incentives that encourage superior corporate performance to support the Company's overall business strategy and objectives.

The Company has adopted a compensation program that covers the following key short-term elements: (i) a base fixed amount of salary and benefits; (ii) a performance-based cash bonus; and the following key long-term elements: (iii) Options; (iv) RSUs; and (v) PSUs.

The Company intends to review the public disclosure available for other comparable oil and gas companies to assist in determining the competitiveness of base salary, bonuses, benefits and stock options paid to each of the executive officers of the Company. The Company believes that such review will provide a good basis for assessing the competitiveness of the Company's compensation.

In arriving at base salaries and granting of Options, PSUs and RSUs for, and to, employees, including executive officers of the Company, other than the President and Chief Executive Officer, the President and Chief Executive Officer of the Company will make recommendations to the Corporate Governance & Compensation Committee. Upon the receipt of the recommendations, the Corporate Governance & Compensation Committee will review the recommendations and may request the compensation data compiled by the Company and will determine whether to accept the recommendations or make any changes. The Corporate Governance & Compensation Committee will determine its recommendation with respect to compensation of the President and Chief Executive Officer in consultation with the other independent directors. Consultation between the President and Chief Executive Officer and the Corporate Governance & Compensation Committee is customary during this process. In the case of the grant of Options, PSUs and RSUs, the Corporate Governance & Compensation Committee, in consultation with the President and Chief Executive Officer, will make a recommendation to the Board for consideration and approval.

Bonus levels for the senior executive officers will be established by the Corporate Governance & Compensation Committee. Bonus awards for executive officers are discretionary and certain performance measures will be used by

the Company in consideration of short-term incentive awards. No maximum bonus has been established for any executive officer. Establishment and payment of bonuses is subject to approval of the Board.

While the Company does not expect that the Corporate Governance & Compensation Committee will formally consider the implications of the risks associated with the Company's compensation policies and practices, the Corporate Governance & Compensation Committee will take into consideration the various components of the Company's compensation program when assessing whether the program supports the Company's principles and objectives and will review the Company's compensation policies on a regular basis.

Elements of Compensation

Named Executive Officers

Individuals who are acting in a capacity similar to a Chief Executive Officer, Chief Financial Officer and the three most highly compensated executive officers whose total compensation is expected to exceed \$150,000 per annum on Completion of the Highwood QT are the "Named Executive Officers".

Base Salary

The objective of base salary compensation is to reward and retain Named Executive Officers and other employees. The program is designed to reward Named Executive Officers and other employees for maximizing Shareholder value in a volatile commodity-based business in a safe, environmentally responsible, regulatory compliant and ethical manner. In setting base compensation levels, consideration is given to such factors as level of responsibility, experience, expertise and the amount of time devoted to the affairs of the Company. Subjective factors such as leadership, commitment and attitude are also considered. It is the goal of the Company to pay base salary compensation in the range of industry peers in order to retain the Named Executive Officers and other employees while maintaining the overall goal that total compensation should be weighted more heavily toward variable and long-term performance-based components.

Cash Bonus

The objective of performance-based bonuses is to incentivize the maximization of Shareholder value by the Named Executive Officers and other employees, taking into consideration the operating and financial performance by both the Company and the efforts and results of the Named Executive Officers and other employees. Increases in the value of the Company will result in increases in the amounts paid to the Named Executive Officers and other employees. Short-term incentive awards will include an annual cash bonus award with maximum percentage amounts in line with the percentages paid by the Company's peer group.

Following closing of the Highwood QT and based on recommendations made by the Corporate Governance & Compensation Committee, the Board will also make further decisions regarding the specific performance measures that the Company will use in consideration of short-term incentive awards (and other long-term incentive awards).

Stock Options

The Company currently has nil Options outstanding. Options, RSUs and PSUs are anticipated to be granted at closing of the Highwood QT. See "*Options and Other Rights to Purchase Securities*".

The Company is expected adopt the Option Plan on Completion of the Highwood QT to remain competitive in the energy industry, and the granting of reasonable levels of share-based incentive awards is used as part of the Company's overall compensation package. These share-based incentive awards provide an incentive for all of The Company's service providers to ensure they are striving to maximize Shareholder value. The Board believes this established policy of awarding share-based awards meets the Company's business objectives provided the total number of share-based awards outstanding at any time is limited to a maximum of 10% of the Company's outstanding Common Shares.

The following is a summary of certain provisions of the Option Plan, which is qualified in its entirety by the full text of the Option Plan. A copy of the Option Plan is included as Schedule "E" to this Appendix "B".

Option Plan Summary

The Option Plan permits the granting of Options to directors, officers and employees of, and consultants to, the Company. The Option Plan limits the total number of Common Shares that may be issued on exercise of Options outstanding at any time under the Option Plan to 10% of the number of Common Shares issued and outstanding (less the number of Common Shares reserved for issuance under any other Share Based Compensation Arrangement of the Company, including the RSU Plan), subject to the following additional limitations:

- (a) the aggregate number of Options granted to any one participant (and companies wholly owned by that participant) in a 12 month period must not exceed 5% of the issued and outstanding Common Shares, calculated on the date an Option is granted to the person (unless the Company has obtained the requisite disinterested Shareholder approval), less the aggregate number of Common Shares reserved for issuance to such person under any other Share Based Compensation Arrangement of the Company;
- (b) the aggregate number of Common Shares reserved for issuance under Options granted to Insiders of the Company (as a group) at any point in time must not exceed 10% of the issued and outstanding Common Shares, less the aggregate number of Common Shares reserved for issuance to Insiders under any other Share Based Compensation Arrangement of the Company; and
- (c) the grant to Insiders (as a group), within a 12-month period, of an aggregate number of Options must not exceed 10% of the issued and outstanding Common Shares, calculated at the date an Option is granted to any Insider, less the aggregate number of Common Shares reserved for issuance to Insiders under any other Share Based Compensation Arrangement of the Company.

Each Option and all rights thereunder will expire on the date set out in the applicable option agreement. Under the Option Plan, in the event of the death of a participant, the Options previously granted to such participant will be exercisable only within one year after such death and then only to the extent that such deceased participant was entitled to exercise his Option at the date of his death. In the event that a participant shall cease to be a director, officer, consultant or employee of the Company or ceases to be a Management Company Employee (as defined in the Option Plan), for any reason (other than death), such Participant may exercise his or her Option to the extent that the participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the participant ceases to be a director, officer, consultant, employee or a Management Company Employee, subject to extension at the discretion of the Board.

Pursuant to the Option Plan, the exercise price shall be fixed by the Board at the time that the Option is granted; however, no Option shall be granted with an exercise price at a discount to the market price. The market price shall be the closing price of the Common Shares on any stock exchange on which the Common Shares are then listed on the first day preceding the date of grant. The Option Plan also provides that the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, subject to any vesting restrictions imposed by any stock exchange on which the Common Shares are then listed.

The Option Plan includes a black-out provision. Pursuant to the policies of the Company respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Company's securities. These periods are referred to as "black-out periods". A black-out period is designed to prevent a person from trading while in possession of material information that is not yet available to other Shareholders. The Option Plan includes a provision that, should an Option expiration date fall within a black-out period or immediately following a black-out period, the expiration date will automatically be extended without any further act or formality, to that date which is the 10th business day after the end of the black-out period, and the 10 business day period may not be further extended by the Board.

Based on the policies of the TSX and industry practice, the Option Plan specifies the types of amendments to the Option Plan and the Options granted thereunder that can be made by the Board without the approval of the Shareholders. The Option Plan allows the Board to terminate or discontinue the Option Plan at any time without the

consent of the Option holders, provided that such termination or discontinuance shall not alter or impair any Option previously granted under the Option Plan. The only amendments to the Option Plan that would be subject to Shareholder approval are amendments that would:

- (a) reduce the exercise price of an outstanding Option, including a cancellation of an Option and re-grant of an Option in conjunction therewith, constituting a reduction of the exercise price of the Option;
- (b) extend the expiry date of an Option held by an Insider of the Company (subject to such date being extended by virtue of the black-out provision noted above and the participant ceasing to be an eligible participant under the Option Plan);
- (c) amend the limitations on the maximum number of Common Shares reserved or issued to Insiders and independent directors;
- (d) permit a participant to transfer or assign Options to a new beneficial owner other than for estate settlement purposes;
- (e) increase the maximum number of Common Shares issuable pursuant to the Option Plan; or
- (f) amend the amendment provisions of the Option Plan.

Pursuant to the Option Plan, all benefits, rights and options accruing to any participant are not transferable or assignable unless in the event of the death of a participant.

The Option Plan is administered by the Board (or a committee thereof), which has the power, subject to the limits imposed by the Option Plan, to (i) award Options under the Option Plan; and (ii) determine the terms under which Options are granted. In determining the persons to whom Options will be granted, the Board takes into account such factors as it determines in its sole discretion, which may include any one or more of the following:

- (a) compensation data for comparable benchmark positions among the Company's peer group;
- (b) the duties, responsibilities, position and seniority of the grantee;
- (c) various corporate performance measures for the applicable period compared with internally established performance measures approved by the Board and/or similar performance measures of members of the Company's peer group for such period;
- (d) the individual contributions and potential contributions of the grantee to the Company's success;
- (e) any bonus payments paid to or to be paid to the optionee, and any previous stock options granted to the optionee, in respect of his or her individual and potential contributions to the Company's success;
- (f) the fair market value or current market price of the Common Shares at the time of such grant; and
- (g) such other factors as the Board deems relevant in its sole discretion in connection with accomplishing the purposes of the Option Plan.

Restricted Share Units

The Company currently has nil RSUs outstanding. RSUs are anticipated to be granted at closing of the Highwood QT. See "Options and Other Rights to Purchase Securities".

On Completion of the Highwood QT, the Company is expected to adopt the RSU Plan to remain competitive in the energy industry, and the granting of reasonable levels of share based incentive awards is used as part of the Company's overall compensation package. These share based incentive awards provide an incentive for all of The Company's service providers to ensure they are striving to maximize Shareholder value. The Board believes this established policy of awarding share based awards meets the Company's business objectives provided the total number of share based awards outstanding at any time is limited to a maximum of 10% of the Company's outstanding Common Shares.

The following is a summary of certain provisions of the RSU Plan, which is qualified in its entirety by the full text of the RSU Plan. A copy of the RSU Plan is included as Schedule “F” to this Circular.

RSU Plan Summary

The RSU Plan is administered by the Board (or a committee thereof) which has the power, subject to the limits imposed by the RSU Plan, to: (i) award RSUs; (ii) determine the terms under which RSUs are granted; (iii) interpret the RSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the RSU Plan; and (iv) make all other determinations and take all other actions in connection with the implementation and administration of the RSU Plan. In awarding RSUs pursuant to the RSU Plan, the Board takes into consideration, among other factors, whether previous RSUs have been awarded to the individual.

RSUs may be granted to directors, officers, employees and consultants under the RSU Plan. The RSU Plan is a fixed plan which reserves for issuance a maximum of 2% of the issued and outstanding Common Shares.

Unless otherwise approved by the Shareholders (or permitted by the rules of any stock exchange on which the Common Shares might then be listed and posted for trading), the RSU plan provides the following limitations:

- (a) the maximum number of Common Shares which may be reserved for issuance to Insiders under the RSU Plan, together with any other Share Based Compensation Arrangements, may not exceed 10% of the issued and outstanding Common Shares from time to time;
- (b) the maximum number of RSUs that may be granted to Insiders under the RSU Plan, together with any other Share Based Compensation Arrangements, within a 12-month period, may not exceed 2% of the issued and outstanding Common Shares calculated on the date such RSUs are granted;
- (c) the maximum number of RSUs that may be granted to any one Insider under the RSU Plan, may not exceed 1% of the issued Common Shares calculated on the date such RSUs are granted; and
- (d) the maximum number of RSUs that may be granted to any one participant under the RSU Plan, together with any other Share Based Compensation Arrangements, within a 12-month period, may not exceed 5% of the issued Common Shares calculated on the date such RSUs are granted.

In the event that the Company declares a dividend while RSUs are outstanding, each account holding outstanding RSUs shall be credited with a dividend equivalent in the form of additional RSUs, should the Board so determine in its sole discretion. Such dividend equivalent, if any, shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs recorded in a participant’s account on the record date for the payment of such dividend, by (b) the market price of the dividend, with fractions computed to three decimal places.

Vested RSUs may be redeemed by a participant for either Common Shares (with each full RSU to be redeemed for one Common Share) or, at the election of the participant, a lump sum payment equal to the amount determined by multiplying the number of RSUs to be redeemed by the market price of the Common Shares at such time.

Pursuant to the RSU Plan, there are no mandatory vesting provisions. At the discretion of the Board (or a committee thereof), RSUs granted under the RSU Plan may contain vesting conditions and the initial grant of RSUs have vesting provisions of one-third vesting on each anniversary date of the RSUs. The RSUs have a maximum expiry date of year end on the third year from grant.

All RSUs will be exercisable only by the person to whom they are granted and are non-assignable and non-transferable, except as explicitly provided for under the RSU Plan.

The “market price” of a Common Share for the purposes of the RSU Plan means the closing price of the Common Shares on any stock exchange on which the Common Shares are then listed on the first day preceding the date of grant. If the Common Shares are not listed on any stock exchange, the “market price” of a Common Share on a particular date shall be determined by the Board in its sole discretion.

Unless otherwise determined by the Board, in its sole discretion:

- (a) upon the voluntary resignation or the termination for cause of a participant, all of the participant's RSUs which remain unvested will be forfeited; and
- (b) upon the termination without cause, the retirement or death of a participant, the participant will have a number of RSUs become vested in a linear manner equal to the sum for each grant of RSUs of the original number of RSUs granted multiplied by the number of completed months of employment since the date of grant divided by the number of months required to achieve the full vesting of such RSUs.

Upon a change of control, all RSUs at that time outstanding but unvested will automatically and irrevocably become vested in full.

The RSU Plan contains provisions for the Board to make adjustments to the RSU Plan, RSUs and any agreement representing RSUs that are outstanding under the RSU Plan that it considers appropriate in the circumstances to prevent dilution or enlargement of amounts to be paid to participants in the event of adjustments in the number of Common Shares resulting from subdivisions, consolidations, substitutions, or reclassifications of the Common Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital of the Company or from a proposed merger, amalgamation or other corporate arrangement or reorganization involving the exchange or replacement of Common Shares of the Company for those in another corporation.

If the redemption date for an RSU occurs during or within 10 business days of a black-out period applicable to such participant, then the redemption date will be extended to the close of business on the 10th business day following the expiration of such period.

Shareholder approval is required for the following amendments to the RSU Plan (provided that such Shareholder approval is then a requirement of the stock exchange on which the Company is then listed):

- (a) the eligibility of a participant in the RSU Plan;
- (b) removing or exceeding the limits on participation in the RSU Plan;
- (c) increasing the maximum number of Common Shares that are issuable under the RSU Plan; and
- (d) granting additional powers to the Board to amend the RSU Plan without Shareholder approval.

Subject to the policies of any stock exchange on which the Common Shares might then be listed or posted for trading, the RSU Plan may be amended without Shareholder approval for the following:

- (a) amendments of a "housekeeping" nature;
- (b) amendments necessary to comply with the provisions of applicable law or the applicable rules of the stock exchange, including with respect to the treatment of RSUs granted under the RSU Plan;
- (c) amendments respecting the administration of the RSU Plan;
- (d) any amendments necessary to suspend or terminate the RSU Plan; and
- (e) any other amendment not requiring Shareholder approval under applicable law (including the policies of the stock exchange).

Performance Share Units

The Company currently has nil PSUs outstanding. PSUs are anticipated to be granted until after closing of the Highwood QT. See "*Options and Other Rights to Purchase Securities*".

On Completion of the Highwood QT, the Company is expected to adopt the PSU Plan with the goal of advancing the interests of the Company by encouraging the eligible participants to hold Common Shares, thereby increasing

their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

The following is a summary of certain provisions of the PSU Plan, which is qualified in its entirety by the full text of the PSU Plan. A copy of the PSU Plan is included as Schedule “G” to this Appendix “B”.

PSU Plan Summary

The PSU Plan is administered by the Board which has the power, subject to the limits imposed by the PSU Plan, to: (i) award PSUs; (ii) determine the terms under which PSUs are granted; and (iii) interpret the PSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the PSU Plan. The PSU Plan provides for the grant of PSUs based on the most recent year’s corporate performance.

PSUs may be granted to officers and employees of the Company at the Board’s discretion. Directors are not eligible to receive PSUs unless they provide ongoing day-to-day management services to the Company.

Payments under the PSU Plan will be in the form of cash amounts which are used to make purchases in the market for Common Shares. The awards, if any, will not have a dilutive effect on Shareholders and will align the interests of the executive officers and employees with all Shareholders. As a result, the PSU Plan provides a link to short-term performance, alignment to long-term Shareholder interests and enables retention of employees and officers without the dilutive aspects of issuing Common Shares from treasury or granting under Share Based Compensation Arrangements.

Dividends declared by the Company while unvested PSUs remain outstanding will be paid on such PSUs and will remain allocated to such eligible participant’s account or used to purchase additional Common Shares to be allocated to such eligible participant’s account.

PSUs shall vest equally over a three-year period, unless otherwise determined by the Board in its sole discretion. If the eligible participant leaves the employment of the Company for any reason, all unvested PSUs will be immediately forfeited by the eligible participant.

On the applicable vesting date, all unvested Common Shares acquired pursuant to a PSU award grant, together with all dividends, including any dividends from additional unvested Common Shares purchased with the dividends on such Common Shares acquired pursuant to the PSU award grant, shall vest in the participant and become unrestricted Common Shares. The unrestricted Common Shares, less any deductions necessary to cover income taxes, shall then be distributed to such participant.

It is anticipated that the size of the PSU awards to be granted will vary depending upon the Company's performance in the most recent year as measured by the performance scorecard that is anticipated to be established to determine the short-term incentive program payout. For executive officers, PSU awards are anticipated to be based on corporate performance and that at or below the minimum level of corporate performance, no PSUs will be awarded. Future realized values at the time of vesting will reflect stock price, performance and reinvested dividends over the vesting period.

In determining awards granted pursuant to the PSU Plan, the Board will take into consideration any previous awards granted.

Restrictions on Purchase of Financial Instruments

The Company's Insider Trading and Reporting Policy provides that the practice of selling “short” securities of the Company and the practice of buying or selling a “call” or “put” or any other derivative security in respect of any securities of the Company (except with respect to securities issued by the Company such as warrants or convertible debentures) is not permitted at any time by the directors, officers and employees of the Company.

Summary Compensation Table

Based on the information available at the date hereof, the following table sets out information concerning the initial expected annualized compensation anticipated to be paid by the Company to the Named Executive Officers on closing of the Highwood QT.

Name and principal position	Salary (\$)	Share-based awards/RSUs/PSUs (\$) ⁽⁵⁾	Option-based awards ⁽⁵⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
				Annual incentive plans ⁽¹⁾	Long-term incentive plans			
Greg Macdonald ⁽²⁾ <i>President & CEO</i>	185,000	288,000	117,000	185,000	-	-	-	775,000
Graydon Glans ⁽³⁾ <i>CFO</i>	185,000	288,000	117,000	185,000	-	-	-	775,000
Kelly McDonald ⁽⁴⁾ <i>VP, Exploration</i>	185,000	288,000	117,000	185,000	-	-	-	775,000

Notes:

- (1) Annual Incentive Plans numbers are based on the assumption that 100% of the Target Payment for each NEO will have been achieved. If the criteria for a payment equal to 100% of the Target Payment are not met by a NEO, the actual Annual Incentive Plan payment made to such NEO is expected to be lower than the number disclosed in this table.
- (2) Greg Macdonald was appointed President & Chief Executive Officer on June 15, 2017. Mr. Macdonald was previously appointed President and Chief Operating Officer on May 11, 2015. Mr. Macdonald will not receive any compensation in his capacity as a Director.
- (3) Graydon Glans was appointed CFO on June 15, 2015.
- (4) Kelly McDonald was appointed Vice President, Exploration on February 1, 2017.
- (5) Option and share-based awards reflect value using Black-Scholes valuation assuming grant on closing of the Highwood QT.

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth, for each Named Executive Officer, the value of all option-based and share-based awards that are anticipated to be outstanding on closing of the Highwood QT.

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options ⁽¹⁾ (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$)	Number of Shares or Units of Shares that have not vested ⁽²⁾ (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Greg Macdonald <i>President & CEO</i>	22,000	9.00	5 years from close	-	32,000	288,000	-
Graydon Glans <i>CFO</i>	22,000	9.00	5 years from close	-	32,000	288,000	-
Kelly McDonald <i>VP, Exploration</i>	22,000	9.00	5 years from close	-	32,000	288,000	-

See “*Executive Compensation – Compensation Discussion and Analysis*” for discussion of the process that the Company uses in the grant of Options, RSUs and PSUs.

Pension Plan Benefits

The Company does not have a pension plan or similar benefit program.

Termination and Change of Control Benefits

The Company has entered into executive employment agreements with each Named Executive Officer (the “**Employment Agreement**”). The following is a summary of the material terms and conditions of the agreements for such Named Executive Officers.

Each of the executive Employment Agreements with each of the Named Executive Officers is substantially the same.

The Named Executive Officers have agreed to serve the named capacity for the Company and will continue until terminated under the terms of the Employment Agreement.

The Employment Agreement sets out the duties and terms of employment, as well as compensation, benefits, and incentives. Under the terms of the Employment Agreement, each Named Executive Officer will have an initial annual salary payable in an amount of \$185,000, which amount will be subject to annual review by the Board or the Corporate Governance & Compensation Committee.

The Employment Agreements include confidentiality and non-solicitation provisions which extend beyond termination of the agreement. The non-solicitation provision extends for 12 months following termination. In the event the Named Executive Officer’s employment is terminated by the Company with cause, by voluntary resignation of the Named Executive Officer, or by reason of illness, disability or incapacity, the Named Executive Officer is entitled to receive, due and payable in a lump sum within seven days following the date of termination, the portion of his annual salary and benefits earned up to the date of termination not already paid. In the event the Named Executive Officer’s employment is terminated by the Company without cause, the Named Executive Officer is entitled to receive, due and payable in a lump sum on the 15th day following the last day worked by the Named Executive Officer: (i) all salary earned, but not yet paid, up to the last day actually worked by the Executive, as well as all vacation pay due and owing as of such date; (ii) any accrued but unpaid annual bonuses; and (iii) a retiring allowance equal to \$169,125 plus the annual average of any annual bonus amounts over the previous two years. Upon a change of control, all Options, RSUs and PSUs granted to the Named Executive Officer prior to the change of control but unvested will automatically and irrevocably become vested in full. A change of control for the Company does not automatically trigger a payout of items (i) (ii) & (iii) as listed above. Only in the event the Named Executive Officer ceases to have an executive position in the Company following the change of control would they be entitled to (i) (ii) & (iii) as identified above.

Directors Compensation

The Corporate Governance & Compensation Committee is responsible for the development and implementation of a compensation plan for the Board of Directors who are not also officers. The Company does not pay any compensation to officers for acting as a director.

Members of the Board of Directors are not paid any remuneration in their capacities as such. Directors are reimbursed, however, for miscellaneous out-of-pocket expenses in carrying out their duties as directors and are expected to be granted Options and RSUs pursuant to the Option Plan and RSU Plan, respectively, although the particulars of such grants have not been determined as of the date of this Circular. The Corporate Governance & Compensation Committee determines the number of Options awarded to directors. When determining the number of Options to be granted to directors, consideration is given to the number of Options previously granted to the directors and the fact that the directors do not receive any other form of compensation.

Directors' Summary Compensation Table

Based on the information available at the date hereof, the following table sets forth information concerning the initially expected annualized compensation anticipated to be paid to the directors other than Greg Macdonald, who is an NEO. See “*Executive Compensation – Summary Compensation Table*” for information relating to the compensation paid to Greg Macdonald.

Name	Fees earned (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)⁽¹⁾
Joel A. MacLeod	-	-	-	-	-	-
Stephen J. Holyoake	-	-	-	-	-	-

Note:

- (1) The amount and composition of the total compensation that might be paid to the directors has not yet been determined by the Corporate Governance & Compensation Committee and the Board, although such amounts may be a material component of such compensation.

Directors' Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth the value of all option-based and share-based awards that are anticipated to be outstanding on closing of the Highwood QT for each of the directors, other than Greg Macdonald, who is an NEO. See “*Executive Compensation – Summary Compensation Table*” for information relating to the compensation paid to Greg Macdonald.

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options⁽¹⁾ (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$)	Number of Shares or Units of Shares that have not vested⁽²⁾ (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Joel A. MacLeod	-	-	N/A	-	-	-	-
Stephen J. Holyoake	-	-	N/A	-	-	-	-

Notes:

- (1) No Options are anticipated to be granted until after closing of the Highwood QT.
(2) No RSUs are anticipated to be granted until after closing of the Highwood QT.

Indemnity Agreements for Directors and Officers

The Company has entered into indemnity agreements with each of the directors and officers pursuant to which the Company has agreed to indemnify such directors and officers from liability arising in connection with the performance of their duties. Such indemnity agreements conform to the provisions of the ABCA.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The Company is not aware of any individuals who are either current or former executive officers, directors or employees of the Company or any of its subsidiaries and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of the Company or otherwise) that is owing to: (i) the Company or any of its subsidiaries, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Except for: (i) indebtedness that has been entirely repaid on or before the date of this Circular, and (ii) “routine indebtedness” (as defined in Form 51-102F5 of the Canadian Securities Administrators), the Company is not aware

of any individuals who are, or who at any time since inception were, a director or executive officer of the Company, a proposed nominee for election as a director or an associate of any of those directors, executive officers or proposed nominees who are, or have been at any time since incorporation, indebted to the Company or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since incorporation of the Company has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

AUDIT COMMITTEE

Audit Committee Mandate

The Board has adopted a written mandate and terms of reference for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing the Company's financial statements and the Company's public disclosure documents containing financial information and reporting on such review to the Board, ensuring the Company's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of the Company's external auditors, and reviewing, evaluating and approving the internal control and risk management systems that are implemented and maintained by management. A copy of the Audit Committee mandate is attached to this Circular as Schedule "B".

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee members are Joel A. MacLeod (Chair) and Stephen J. Holyoake. Each of the members of the Audit Committee is considered "financially literate" and "independent" within the meaning of NI 52-110.

The Company believes that each of the proposed members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For a summary of the education and experience of each member of the proposed Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "*Directors and Officers*".

Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member reports to the Audit Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as may be established by the Audit Committee from time to time.

External Auditor Service Fees

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit and other fees are as follows:

Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2018	\$ 75,400	-	\$ 10,700	-
December 31, 2017	\$ 92,500	-	\$ 11,950	-

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Board of Directors

Stephen J. Holyoake is an independent director within the meaning of NI 58-101. The Company's Board currently consists of three (3) directors, one (1) of which is independent within the meaning of NI 58-101. A director is considered to be independent of an issuer under applicable Canadian securities laws if the director is free of any relationship with the issuer which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of the director's independent judgment. Certain directors, such as current or former employees or officers of the issuer, are deemed not to be independent of the issuer.

The following directors are independent within the meaning of NI 58-101: Stephen J. Holyoake. The Board has determined that Greg Macdonald is not independent as he is the President and Chief Executive Officer of the Company. Mr. MacLeod is a significant shareholder of the Company who following closing is expected to hold approximately 68.6% of the Common Shares. The board has concluded that Mr. MacLeod is not independent for the purposes of NI 58-101 given his controlling interest in the Company. The Board is of the view that the Board functions independently of management and that the Board is organized properly, functions effectively and meets its obligations and responsibilities, including those matters set forth in the mandate of the Board.

At the end of or during each meeting of the Board, the members of management of the Company and the management directors of the Company who are present at such meeting leave the meeting in order for the independent directors to meet separately. In addition, other meetings of the independent directors may be held from time to time if required. The independent directors each take leadership roles on various issues as the need arises. Further, as with all directors, the independent directors may engage external advisors at the expense of the Company in appropriate circumstances, subject to the approval of the Board, and have complete access to appropriate personnel of the Company in order to secure all information necessary to fulfill their duties.

Prior to the date of this Circular, all Board and committee meetings, to the extent held, were 100% attended by the respective members.

The following directors of the Company are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
Joel A. MacLeod	Tidewater Midstream and Infrastructure Ltd.
Stephen J. Holyoake	Tidewater Midstream and Infrastructure Ltd., Predator Blockchain Capital Corporation, Hoist Capital Corporation
Greg Macdonald	Hoist Capital Corporation

Board Mandate

The Board, either directly or through its committees, is responsible for the supervision of management of the Company's business and affairs with the objective of enhancing Shareholder value. A copy of the mandate of the Board of Directors is attached as Schedule "A" to this Appendix "B" of this Circular.

Position Descriptions

The Board has approved written position descriptions or terms of reference for the Chairman and the Chair of each of the Audit Committee, the Reserves, Safety and Environmental Committee, and the Corporate Governance & Compensation Committee. The Board has developed a written position description for the Chief Executive Officer and Chief Financial Officer.

Orientation and Continuing Education

The orientation and continuing education of the directors of the Company is the responsibility of the Corporate Governance & Compensation Committee. Given its early stage of development, the Company does not currently have any formal orientation and education programs.

As new directors join the Board, they are provided with, among other things, corporate policies, historical information about the Company, information on the Company's performance and its strategic plan and an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures are a practical and effective approach in light of the Company's particular circumstances, including the size of the Company, limited turnover of the directors and the experience and expertise of the directors.

The Company regularly provides the directors (at least on a quarterly basis) briefings and an update on business, operations and affairs of the Company, including new and ongoing prospects of the Company, the Company's performance relative to its peers and related developments that could have a significant effect on the Company's operations and results. Such updates are conducted by senior management with responsibility in the relevant areas. In addition, from time to time, presentations and seminars are provided to the Board on recent accounting developments as well as other issues receiving increased focus in the industry.

The Company also encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director of the Company has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

Ethical Business Conduct

In order to encourage and promote a culture of ethical business conduct, the Board has adopted a Code of Business Conduct and Ethics (the “**Code**”). The Code reflects the Company's commitment to a culture of honesty, integrity and accountability and outlines the basic principles and policies with which all employees are expected to comply. The Company recognizes that each employee's cooperation and commitment is necessary for continued success and the cultivation and maintenance of its reputation as a good corporate citizen. The Code also addresses a number of important topics, including conflicts of interest, corporate opportunities, confidentiality, protection and proper use of company assets, insider trading, fair dealing, compliance with laws, rules and regulations, compliance with environmental laws, discrimination and harassment, safety and health, accuracy of company records and reporting, use of email and internet services, political activities and contributions, illicit payments, payments to officials, directors role in the code of business conduct and ethics, and compliance procedures. A copy of the business Code is available on SEDAR at www.sedar.com under the Company's profile.

The Board monitors compliance with the Code by requiring that each of the officers, employees and consultants of the Company affirm in writing when commencing employment his or her agreement to abide by the Code. Compliance is also reaffirmed annually by all individuals. In addition, management provides reports on compliance with the Code to the Board on a regular basis.

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction with the Company are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

In addition to the Code, the Board has adopted a “Whistleblower Policy” which provides employees and consultants of the Company with a mechanism by which they may raise concerns including (but not limited to) falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

Nomination of Directors

The proposed Corporate Governance and Nominating Committee is composed entirely of independent directors for the purpose of NI 58-101.

The Corporate Governance and Nominating Committee's mandate includes approving directors for nomination and election and filling vacancies among the directors.

When potential candidates are identified, they are screened to ensure that they possess the requisite qualities of integrity, business and professional experience, independence considerations and other skills. The other commitments of the potential candidates are also considered to ensure that the candidate is able to fulfill the candidate's obligations as a director. Potential candidates are identified through suggestions by members of the Board, industry contacts and, in certain cases, professional search agencies.

The Corporate Governance and Nominating Committee's mandate also includes reviewing and recommending mandates of the Board and its committees, recommending appropriate governance processes, policies and guidelines for the Company.

Board Committees

The Board has three committees, the Audit Committee, the Reserves, Safety & Environmental Committee, and the Corporate Governance & Compensation Committee, which were constituted in August 2012.

Audit Committee

See “*Audit Committee*”.

Reserves, Safety and Environmental Committee

The Reserves, Safety and Environmental Committee's mandate includes reviewing and overseeing the Company's procedures for reserve evaluation and reporting, engaging the independent reserve evaluator and reviewing fundamental policies pertaining to environmental, health and safety.

Corporate Governance & Compensation Committee

See “*Executive Compensation – Compensation Discussion and Analysis*”.

Board Assessments

The Company has not commenced a formal process of assessing the Board and its committees or the individual directors. To date the Board has satisfied itself that the Board, its committees and individual directors are performing effectively through informal discussions.

Director Term Limits

The Board does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Company. Therefore, it has not specifically adopted term limits or other mechanisms for board renewal.

However, when considering nominees for the Board, the Corporate Governance and Nominating Committee reviews the skills and experience of the current directors with the objective of recommending a group of directors that can best perpetuate the Company's success and represent Shareholder interests through the exercise of sound judgment

and the application of its diversity of experience. The Corporate Governance and Nominating Committee also considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election to the Board. In addition, the Corporate Governance and Nominating Committee also assesses the knowledge, experience and character of all nominees to the Board and other factors such as independence of the directors to ensure that the Board is operating effectively and independently of management. The Board also considers whether the individual will enhance the diversity of views and experiences available to the Board in its deliberations.

Policies Regarding the Representation of Women on the Board

The Board has not adopted policies that address the identification and nomination of women directors of the Company.

The Board acknowledges the importance of diversity and although it does not have a formal diversity or gender policy, it is guided by the Company's philosophy with respect to diversity in its review and consideration of potential director nominees. The potential candidates are assessed on numerous factors including:

- (a) whether the individual meets the requirements of independence;
- (b) whether the individual has a general understanding of various disciplines relevant to the success of a large publicly traded company in today's global business environment;
- (c) the individual's understanding of the Company's business and the oil and gas industry as a whole;
- (d) the individual's professional expertise and experience;
- (e) the individual's educational and professional background; and
- (f) other characteristics of the individual that promote diversity and breadth of experience.

The Board believes that Board nominations and executive officer appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates as well as the requirements of the Board and management at the time. The Company is committed to meritocracy and believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide leadership needed to achieve business objectives, without reference to their age or gender is in the best interests of the Company and all of its stakeholders.

The Board encourages the consideration of women who have the necessary, skills, knowledge, experience and character when evaluating new potential candidates for the Board, and it does consider the level of representation of women on the Board when identifying and nominating potential candidates for election or re-election to the Board; however, the Board feels that, in keeping its commitment to meritocracy, the best and most qualified individual in all respect should be the individual that is nominated.

The Board encourages the consideration of women who have the necessary, skills, knowledge, experience and character when considering new potential candidates for executive officer positions.

The Company has not imposed quotas or targets regarding the representation of women on the Board and in executive officer positions. The Board believes that imposing quotas or targets regarding the representation of women in executive officer positions would compromise the principles of meritocracy and its overall philosophy of equal opportunity and diversity. However, the Board does understand and appreciate the importance of gender equality and diversification and considers this when recruiting for a Board appointment or executive officer position.

There are currently no women serving on the Board of Directors or as part of management. The Company has a very flat structure represented by three officers, including the CEO, CFO, and Vice-President, Exploration and sees potential for women to be added to the management team as the Company grows.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of DLA Piper (Canada) LLP, counsel to the Company, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Shareholder who acquires, as beneficial owner, Common Shares pursuant to the Highwood QT and who at all relevant times for purposes of the Tax Act, (a) is resident or deemed to be resident in Canada, (b) holds the Common Shares as capital property and (c) deals at arm's length with the Company and the Underwriters, and is not affiliated with the Company (a "**Holder**"). Generally, the Common Shares will be considered to be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of trade. Certain Holders who are residents of Canada and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Holders are advised to consult their tax advisors to determine whether such an election is available and desirable in their particular circumstances.

This summary is not applicable to a Holder: (a) that is a "financial institution" for purposes of the mark-to-market rules, (b) an interest in which would be a "tax shelter investment", (c) that is a "specified financial institution", (d) that has made an election under the Tax Act to determine its Canadian tax results in a foreign currency, (e) that enters into a "derivative forward agreement" in respect of the Common Shares; (f) who would receive dividends on the Common Shares under or as part of a "dividend rental arrangement" of the Holder; or (g) that is a partnership or trust, all as defined for purposes of the Tax Act. Any such Holder to which this summary does not apply should consult its own tax advisor with respect to an investment in Common Shares.

This summary is based on the facts set out in this Circular, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) ("**Tax Proposals**") before the date of this Circular and the current published administrative practices of the Canada Revenue Agency. No assurance can be made that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial, or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of a Common Share, and no representations concerning the tax consequences to any particular Holder or prospective Holder are made. Accordingly, prospective Holders of Common Shares should consult their own tax advisors with respect to an investment in the Common Shares having regard to their particular circumstances. This summary does not address any tax considerations applicable to persons other than Holders and such persons should consult their own tax advisors regarding the consequences of acquiring, holding and disposing of Common Shares under the Tax Act and any jurisdiction in which they may be subject to tax.

Dividends on Common Shares

The Company has paid dividends on its Common Shares but intends to reinvest any go forward earnings to fund the development and growth of its business. Any future payments of dividends will be at the discretion of the Board and will depend upon the financial condition, capital requirements and earnings of the Company as well as other factors it may deem relevant. The Company's articles of incorporation and by-laws do not contain any restrictions on the payments of dividends.

In the case of a Holder who is an individual (other than certain trusts), dividends received or deemed to be received on the Common Shares will be included in computing the Holder's income and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by the Company, such dividend will be treated as an "eligible dividend" for the purposes of the Tax Act and a Holder who is an individual will be entitled to an enhanced dividend tax credit in

respect of such dividend. There may be limitations on the Company's ability to designate dividends and deemed dividends as eligible dividends.

Dividends received by a Holder who is an individual (including certain trusts) may result in such Holder being liable for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

Dividends received or deemed to be received on the Common Shares by a Holder that is a corporation will be required to be included in computing the corporation's income for the taxation year in which such dividends are received, but such dividends will generally be deductible in computing the corporation's taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Holder that is a "private corporation", or a "subject corporation" (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the Holder's taxable income for the taxation year.

Dispositions of Common Shares

Upon disposition or a deemed disposition of a Common Share (other than a disposition to the Company that is not a sale in the open market in the manner in which shares would normally be purchased by a member of the public), a Holder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceed (or are less than) the adjusted cost base of the Common Shares to the Holder. The adjusted cost base to the Holder of a Common Share acquired pursuant to the Highwood QT will, at any particular time, be determined by averaging the cost of such Common Share with the adjusted cost base of all Common Shares of the Company owned by the Holder as capital property at that time, if any.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act. If the Holder is a corporation, any such capital loss realized on the disposition of shares may in certain circumstances be reduced by the amount of any dividends received or deemed to be received by it on such Common Shares (or on shares for which the Common Shares have been substituted) to the extent and under the circumstances described in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Taxable capital gains realized by a Holder who is an individual (including certain trusts) may give rise to liability for alternative minimum tax depending on the Holder's circumstances. A "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on certain investment income, including an amount in respect of a taxable capital gain arising from the disposition of a Common Share.

ELIGIBILITY FOR INVESTMENT

In the opinion of DLA Piper (Canada) LLP, counsel to the Company, provided that on the Closing Date the Common Shares are listed on a "designated stock exchange", as defined in the Tax Act (which currently includes the TSXV), the Common Shares acquired pursuant to the Highwood QT on the Closing Date will be, at that time, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), deferred profit sharing plan, registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), and a tax-free savings account ("**TFSA**").

Notwithstanding that Common Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the holder of such TFSA or annuitant under such RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of the Common Shares if such Common Shares are a “prohibited investment” and not “excluded property” for the TFSA, RRSP or RRIF for purposes of the Tax Act. Common Shares will generally be a “prohibited investment” if the holder of a TFSA or annuitant under a RRSP or RRIF, as the case may be, (i) does not deal at arm's length with us for purposes of the Tax Act or (ii) has a “significant interest” (within the meaning of the prohibited investment rules in the Tax Act) in the Company. Under proposals to amend the Tax Act contained in the federal budget released on March 22, 2017, the prohibited investment rules will also apply to an RESP and RDSP, effective after March 22, 2017.

Individuals who hold or intend to hold Common Shares in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own tax advisors as to whether such securities will be a “prohibited investment” in their particular circumstances, including with respect to whether the Common Shares would be “excluded property” in their particular circumstances.

MARKET FOR SECURITIES

There is no market through which the Common Shares may be sold and purchasers may not be able to resell the Common Shares. See “*Risk Factors*”.

INDUSTRY CONDITIONS

Companies operating in the oil and natural gas industry are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government with respect to the pricing and taxation of oil and natural gas, including the governments of Canada, Alberta, and British Columbia, all of which investors in the oil and gas industry should carefully consider. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments governments may enact in the future. The following comprises some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in western Canada.

Pricing and Marketing

Oil

In Canada, producers of oil are entitled to negotiate sales contracts directly with oil purchasers, which results in the market determining the price of oil. Worldwide supply and demand factors primarily determine oil prices; however, regional market and transportation issues also influence prices. The specific price depends in part on oil quality, prices of competing fuels, distance to market, availability of transportation, value of refined products, the supply/demand balance and contractual terms of sale. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the NEB. Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB. The NEB underwent a consultation process to update the regulations governing the issuance of export licences. The updating process was necessary to meet the criteria set out in the federal *Jobs, Growth and Long-term Prosperity Act (Canada)* (the “**Prosperity Act**”) which received Royal Assent on June 29, 2012. *The Regulations Amending the National Energy Board Act Part VI (Oil and Gas) Regulations* came into effect on July 31, 2015 and provides the requirements for obtaining long-term licences.

Natural Gas

Canada's natural gas market has been deregulated since 1985. Supply and demand determine the price of natural gas and price is calculated at the sale point, being the wellhead, the outlet of a gas processing plant, on a gas transmission system, at a storage facility, at the inlet to a utility system or at the point of receipt by the consumer. Accordingly, the price for natural gas is dependent upon such producer's own arrangements (whether long or short

term contracts and the specific point of sale). As natural gas is also traded on trading platforms such as the Natural Gas Exchange, Intercontinental Exchange or the New York Mercantile Exchange in the United States, spot and future prices can also be influenced by supply and demand fundamentals on these platforms. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m³ per day) must be made pursuant to an NEB order. Natural gas export contracts of a longer duration (to a maximum of 40 years) or that deal with larger quantities of natural gas requires an exporter to obtain an export licence from the NEB.

Gaining access to the market is currently a concern for the industry as a whole. Any producer's ability to market its product largely depends upon its ability to acquire space on pipelines that deliver crude oil and natural gas to commercial markets or to arrange for alternate transportation such as rail. While several pipeline expansions and proposed projects have been commenced, announced or are waiting for regulatory approval, the lack of firm pipeline capacity and regulatory delays for the approval of certain projects continue to affect the oil and natural gas industry and limit producers' ability to market their oil and natural gas production. While the use of rail transportation has significantly increased over the last few years, similar to the concern over the lack of pipeline capacity, issues with respect to capacity and uncertainty with respect to anticipated (but unknown) regulatory changes may also impact a producer's ability to access the market through this alternative method.

The North American Free Trade Agreement

The North American Free Trade Agreement (“NAFTA”) among the governments of Canada, the United States and Mexico came into force on January 1, 1994. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of goods of the party maintaining the restriction as compared to the proportion prevailing in the most recent 36 month period; (ii) impose an export price higher than the domestic price (subject to an exception with respect to certain measures which only restrict the volume of exports); and (iii) disrupt normal channels of supply.

All three signatory countries are prohibited from imposing a minimum or maximum export price requirement in any circumstance where any other form of quantitative restriction is prohibited. The signatory countries are also prohibited from imposing a minimum or maximum import price requirement except as permitted in enforcement of countervailing and anti-dumping orders and undertakings. NAFTA requires energy regulators to ensure the orderly and equitable implementation of any regulatory changes and to ensure that the application of those changes will cause minimal disruption to contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, all of which are important for Canadian oil and natural gas exports. NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The new administration in the United States has indicated an intention to seek renegotiation of NAFTA, and the three signatories have commenced negotiations. The impact of such renegotiations on the oil and gas industry is uncertain.

Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations, which govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of oil sands projects, crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands where the Crown does not hold mineral rights are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to

time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

The Canadian federal government has signaled that it will inter alia phase out subsidies for the oil and gas industry, which include only allowing the use of the Canadian Exploration Expenses tax deduction in cases of successful exploration, implementing stringent reviews for pipelines and establishing a pan-Canadian framework for combating climate change. These changes could affect earnings of companies operating in the oil and natural gas industry.

Alberta

In Alberta, the Crown owns 81% of the province's mineral rights. The remaining 19% are 'freehold' mineral rights owned by the federal government on behalf of First Nations or in National Parks, and by individuals and companies. Provincial government royalty rates apply to Crown-owned mineral rights. On January 29, 2016, the Government of Alberta released and accepted the Royalty Review Advisory Panel's recommendations, which outlined the implementation of a "Modernized Royalty Framework" for Alberta (the "MRF"). The MRF formally took effect on January 1, 2017 for wells drilled after this date. Wells drilled prior to January 1, 2017 will continue to be governed by the "New Royalty Framework" (implemented by the *Mines and Minerals (New Royalty Framework) Amendment Act, 2008*) (the "**Alberta Royalty Framework**") for a period of 10 years until January 1, 2027. The MRF is structured in three phases: (i) Pre-Payout; (ii) Mid-Life; and (iii) Mature. During the Pre-Payout phase, a fixed 5% royalty will apply until the well reaches payout. Well payout occurs when the cumulative revenue from a well is equal to the Drilling and Completion Cost Allowance (determined by a formula that approximates drilling and completion costs for wells based on total depth, length, and proppant placed). The new royalty rate for Pre-Payout under the MRF will be payable on gross revenue generated from all production streams (oil, gas, and natural gas liquids), eliminating the need to label a well as "oil" or "gas". Post-payout, the Mid-Life phase will apply a higher royalty rate than the Pre-Payout phase. Depending on the commodity price of the substance the well is producing, the royalty rate could range from 5% - 40%. The metrics for calculating the Mid-Life phase royalty are based on commodity prices and are intended, on average, to yield the same internal rate of return as under the Alberta Royalty Framework. In the Mature phase of the MRF, once a well reaches the tail end of its cycle and production falls below a Maturity Threshold, currently the equivalent of 194 m³ (40 Boe/d or 345,500 m³ of gas per month), the royalty rate will move to a sliding scale (based on volume and price) with a minimum royalty rate of 5%. The downward adjustment of the royalty rate in the Mature phase is intended to account for the higher per-unit fixed cost involved in operating an older well.

On July 11, 2016, the Government of Alberta released details of the Enhanced Hydrocarbon Recovery Program and the Emerging Resources Program. These programs, that came into effect on January 1, 2017, are a part of the MRF and account for the higher costs associated with enhanced recovery methods and with developing emerging resources in an effort to make difficult investments economically viable and to increase royalties. Certain eligibility criteria must be satisfied in order for a proposed project to fall under each program. Enhanced recovery scheme applications can be submitted to the Alberta Energy Regulator ("AER").

Oil sands projects are also subject to Alberta's royalty regime. The MRF does not change the oil sands royalty framework, however, the Government of Alberta plans to increase transparency in the method and figures by which the royalties are calculated. Prior to payout of an oil sands project, the royalty is payable on gross revenues of an oil sands project. Gross revenue royalty rates range between 1% and 9% depending on the market price of oil, determined using the average monthly price, expressed in Canadian dollars, for WTI crude oil at Cushing, Oklahoma. Rates are 1% when the market price of oil is less than or equal to \$55 per barrel and increase for every dollar of market price of oil increase to a maximum of 9% when oil is priced at \$120 or higher. After payout, the royalty payable is the greater of the gross revenue royalty based on the gross revenue royalty rate of between 1% and 9% and the net revenue royalty based on the net revenue royalty rate. Net revenue royalty rates start at 25% and increase for every dollar of market price of oil increase above \$55 up to 40% when oil is priced at \$120 or higher.

Currently, producers of oil and natural gas from Crown lands in Alberta are required to pay annual rental payments, at a rate of \$3.50 per hectare, and make monthly royalty payments in respect of oil and natural gas produced.

Royalties, for wells drilled prior to January 1, 2017 are paid pursuant to the Alberta Royalty Framework until January 1, 2027. Royalty rates for conventional oil are set by a single sliding scale formula, which is applied monthly and incorporates separate variables to account for production rates and market prices. The maximum royalty payable under the royalty regime is 40%. Royalty rates for natural gas under the royalty regime depends on the price of each of the components of the gas stream, the productivity of the well, its acid gas factor and the depth of the producing zone. These factors are employed on a sliding scale formula to determine the natural gas royalty rate per well with the maximum royalty payable under the royalty regime set at 36% and a minimum royalty rate of 5%.

Producers of oil and natural gas from freehold lands in Alberta are required to pay freehold mineral tax. The freehold mineral tax is a tax levied by the Government of Alberta on the value of oil and natural gas production from lands where the Crown does not hold the rights to mines and minerals and is derived from the *Freehold Mineral Rights Tax Act* (Alberta). The freehold mineral tax is levied on an annual basis on calendar year production using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. The basic formula for the assessment of freehold mineral tax is: revenue less allocable costs equals net revenue divided by wellhead production equals the value based upon unit of production. If payors do not wish to file individual unit values, a default price is supplied by the Crown. On average, the tax levied is 4% of revenues reported from freehold mineral title properties.

The Government of Alberta has from time to time implemented drilling credits, incentives or transitional royalty programs to encourage oil and gas development and new drilling. For example, the Innovative Energy Technologies Program (the “IETP”) has the stated objectives of increasing recovery from oil and gas deposits, finding technical solutions to the gas over bitumen issue, improving the recovery of bitumen by in-situ and mining techniques and improving the recovery of natural gas from coal seams. The IETP provides royalty adjustments to specific pilot and demonstration projects that utilize new or innovative technologies to increase recovery from existing reserves.

In addition, the Government of Alberta has implemented certain initiatives intended to accelerate technological development and facilitate the development of unconventional resources. These initiatives apply to wells drilled before January 1, 2017, for a ten-year period, until January 1, 2027. Specifically:

- coalbed methane wells will receive a maximum royalty rate of 5% for 36 producing months up to 750 MMcf of production, retroactive to wells that began producing on or after May 1, 2010;
- shale gas wells will receive a maximum royalty rate of 5% for 36 producing months with no limitation;
- on production volume, retroactive to wells that began producing on or after May 1, 2010;
- horizontal gas wells will receive a maximum royalty rate of 5% for 18 producing months up to 500 MMcf of production, retroactive to wells that commenced drilling on or after May 1, 2010; and
- horizontal oil wells and horizontal non-project oil sands wells will receive a maximum royalty rate of 5% with volume and production month limits set according to the depth of the well (including the horizontal distance), retroactive to wells that commenced drilling on or after May 1, 2010.

Land Tenure

The provincial governments of Alberta and British Columbia own the rights to crude oil and natural gas located in the respective provinces. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses, and permits for varying terms, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Private ownership of oil and natural gas also exists in such provinces and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Alberta and British Columbia have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or license. The Government of British Columbia expanded its policy of deep rights reversion for leases issued after March 29, 2007 to provide for the reversion of both shallow and deep formations that cannot be shown to be capable of production at the end of the primary term

Alberta also has a policy of “shallow rights reversion” which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licenses issued after January 1, 2009 at the conclusion of the primary term of the lease or license.

Production and Operation Regulations

The oil and natural gas industry in Canada is highly regulated and subject to significant control by provincial regulators. Regulatory approval is required for, among other things, the drilling of oil and natural gas wells, construction and operation of facilities, the storage, injection and disposal of substances and the abandonment and reclamation of well-sites. In order to conduct oil and gas operations and remain in good standing with the applicable provincial regulator, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance with such legislation, regulations, orders, directives or other directions can be costly and a breach of the same may result in fines or other sanctions.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability and the imposition of material fines and penalties. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and greenhouse gas (“GHG”) emissions, may impose further requirements on operators and other companies in the oil and natural gas industry.

Federal

Canadian environmental regulation is the responsibility of the federal government and provincial governments. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law will prevail, however, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport. The *Canadian Environmental Protection Act, 1999* and the *Canadian Environmental Assessment Act, 2012* provide the foundation for the federal government to protect the environment and cooperate with provinces to do the same.

Pursuant to the *Prosperity Act*, the Government of Canada amended or repealed several pieces of federal environmental legislation and in addition, created a new federal environmental assessment regime that came in to force on July 6, 2012. The changes to the environmental legislation under the *Prosperity Act* are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

On June 20, 2016, the Federal Government launched a review of current environmental and regulatory processes with a focus on rebuilding trust in the environmental assessment processes, modernizing the NEB, and introducing modernized safeguards to both the *Fisheries Act* and the *Navigation Protection Act*. An Expert Panel has been

convened and is expected to complete its work in 2017. At such time, the Minister of Environment and Climate Change will consider the recommendations in the Panel's report and identify next steps to improve federal environmental processes, which is expected to take place during the summer/fall of 2017. Until this process is complete, the Federal Government's interim principles released January 27, 2016 will continue to guide decision making authorities for projects currently undergoing environmental assessment. The Federal Government has not provided any indication on what changes, if any, will be implemented or when, but increased delays and uncertainty surrounding the environmental assessment process should be expected for large projects.

In a further development, on November 29, 2016, the Government of Canada announced that it would introduce legislation by spring 2017 to formalize a moratorium for crude oil tankers on British Columbia's north coast. It is unclear how the proposed moratorium may affect ongoing LNG export projects currently under consideration and development. On the same day, the Government of Canada also approved, subject to a number of conditions, the Trans Mountain Pipeline system expansion backed by Kinder Morgan Canada as well as the replacement of Enbridge Inc.'s plan to replace its Line 3 pipeline system, while also rejecting Enbridge Inc.'s proposed Northern Gateway project. On January 11, 2017, the Government of British Columbia confirmed that the conditions to the approval of the Trans Mountain Pipeline have been satisfied and then subsequently a newly formed Government of British Columbia has sought to halt the Trans Mountain Pipeline. Additionally, the new administration in the United States has indicated a willingness to revisit other pipeline projects that had been previously rejected.

Alberta

The AER is the single regulator responsible for all energy development in Alberta. The AER ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure. The objective behind a single regulator is an enhanced regulatory regime that is efficient, attractive to business and investors, and effective in supporting public safety, environmental management and resource conservation while respecting the rights of landowners.

The Government of Alberta relies on regional planning to accomplish its responsible resource development goals. The following frameworks, plans and policies form the basis of Alberta's Integrated Resource Management System ("IRMS"). The IRMS method to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities, by incorporating the management of all resources, including energy, minerals, land, air, water and biodiversity. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the Policy Management Office, the Aboriginal Consultation Office and the Land Use Secretariat.

In December 2008, the Government of Alberta released a new land use policy for surface land in Alberta, the Alberta Land Use Framework (the "ALUF"). The ALUF sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

Proclaimed in force in Alberta on October 1, 2009, the *Alberta Land Stewardship Act* (the "ALSA") provides the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established under the ALSA are deemed to be legislative instruments equivalent to regulations and will be binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits, licenses, registrations, approvals and authorizations for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans

contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land; and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment.

On August 22, 2012, the Government of Alberta approved the Lower Athabasca Regional Plan (“**LARP**”) which came into force on September 1, 2012. The LARP is the first of seven regional plans developed under the ALUF. LARP covers a region in the northeastern corner of Alberta that is approximately 93,212 square kilometres in size. The region includes a substantial portion of the Athabasca oil sands area, which contains approximately 82% of the province's oil sands resources and much of the Cold Lake oil sands area.

LARP establishes six new conservation areas and nine new provincial recreation areas. In conservation and provincial recreation areas, conventional oil and gas companies with pre-existing tenure may continue to operate. Any new petroleum and gas tenure issued in conservation and provincial recreation areas will include a restriction that prohibits surface access. In contrast, oil sands companies' tenure has been (or will be) cancelled in conservation areas and no new oil sands tenure will be issued. While new oil sands tenure will be issued in provincial recreation areas, new and existing oil sands tenure will prohibit surface access.

In July 2014, the Government of Alberta approved the South Saskatchewan Regional Plan (“**SSRP**”) which came into force on September 1, 2014. The SSRP is the second regional plan developed under the ALUF. The SSRP covers approximately 83,764 square kilometres and includes 44% of the provincial population.

The SSRP creates four new and four expanded conservation areas, and two new and six expanded provincial parks and recreational areas. Similar to LARP, the SSRP will honour existing petroleum and natural gas tenure in conservation and provincial recreational areas. However, any new petroleum and natural gas tenures sold in conservation areas, provincial parks, and recreational areas will prohibit surface access. However, oil and gas companies must minimize impacts of activities on the natural landscape, historic resources, wildlife, fish and vegetation when exploring, developing and extracting the resources. Freehold mineral rights will not be subject to this restriction.

Phase 1 Consultation of the North Saskatchewan Region Plan (“**NSRP**”) has been completed and the Regional Advisory Council is currently preparing its Recommendation to Government report. The NSRP is located in central Alberta and is approximately 85,780 square kilometres in size and affects activities in central Alberta, and encompasses an area between the province's borders with British Columbia and Saskatchewan. The Upper Peace Region Plan, Lower Peace Region Plan, Red Deer Region Plan and Upper Athabasca Region Plan have not been started.

Liability Management Rating Program

Alberta

In Alberta, the AER administers the Licensee Liability Rating Program (the “**AB LLR Program**”). The AB LLR Program is a liability management program governing most conventional upstream oil and gas wells, facilities and pipelines. Alberta's *Oil and Gas Conservation Act* (the “**OGCA**”) establishes an orphan fund (the “**Orphan Fund**”) to pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program if a licensee or working interest participant (“**WIP**”) becomes defunct or is unable to meet its obligations. The Orphan Fund is funded by licensees in the AB LLR Program through a levy administered by the AER. The AB LLR Program is designed to minimize the risk to the Orphan Fund posed by unfunded liability of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. The AB LLR Program requires a licensee whose deemed liabilities exceed its deemed assets to provide the AER with a security deposit. The ratio of deemed assets to deemed liabilities is assessed once each month and failure to post the required security deposit may result in the initiation of enforcement action by the AER. The AER publishes the liability management rating for each licensee on a monthly basis.

Made effective in three phases, from May 1, 2013 to August 1, 2015, the AER implemented important changes to the AB LLR Program (the “**Changes**”) that resulted in a significant increase in the number of oil and gas companies

in Alberta that are required to post security. The Changes affect the deemed parameters and costs used in the formula that calculates the ratio of deemed assets to deemed liabilities under the AB LLR Program, increasing a licensee's deemed liabilities and rendering the industry average netback factor more sensitive to asset value fluctuations. The Changes stem from concern that the previous regime significantly underestimated the environmental liabilities of licensees.

On June 20, 2016, the AER issued *Bulletin 2016-16, Licensee Eligibility—Alberta Energy Regulator Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater Decision* (“**Bulletin 16**”) in an urgent response to a decision from the Alberta Court of Queen's Bench. In *Redwater Energy Corporation (Re)*, 2016 ABQB 278 (“**Redwater**”), Chief Justice Wittman found that there was an operational conflict between the abandonment and reclamation provisions of the OGCA and the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”), and that receivers and trustees have the right to renounce assets within insolvency proceedings. Such a conflict renders the AER's legislated authority unenforceable to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is insolvent. Effectively, this means that abandonment costs will be borne by the industry-funded Orphan Well Fund or the province in these instances because any resources of the insolvent licensee will first be used to satisfy secured creditors under the BIA. On April 24, 2017, the Alberta Court of Appeal affirmed the Alberta Court of Queen's Bench decision in *Redwater*. On June 23, 2017, the AER filed for leave to appeal the *Redwater* decision to the Super Court of Canada. *Bulletin 16* provides interim rules to govern while the case is appealed and while the Government of Alberta can develop appropriate regulatory measures to adequately address environmental liabilities. Three changes were implemented to minimize the risk to Albertans:

- The AER will consider and process all applications for licence eligibility under Directive 067: Applying for Approval to Hold EUB Licences as non-routine and may exercise its discretion to refuse an application or impose terms and conditions on a licensee eligibility approval if appropriate in the circumstances.
- For holders of existing but previously unused licence eligibility approvals, prior to approval of any application (including licence transfer applications), the AER may require evidence that there have been no material changes since approving the licence eligibility. This may include evidence that the holder continues to maintain adequate insurance and that the directors, officers, and/or shareholders are substantially the same as when licence eligibility was originally granted.
- As a condition of transferring existing AER licences, approvals, and permits, the AER will require all transferees to demonstrate that they have a liability management rating (“**LMR**”), being the ratio of a licensee's assets to liabilities, of 2.0 or higher immediately following the transfer.

In order to clarify and revise the interim rules in *Bulletin 16*, the AER issued *Bulletin 2016-21: Revision and Clarification on Alberta Energy Regulator's Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater Decision* (“**Bulletin 21**”) on July 8, 2016 and reaffirmed its position that an LMR of 1.0 is not sufficient to ensure that licensees will be able to address their obligations throughout the life cycle of energy development, and 2.0 remains the requirement for transferees. However, *Bulletin 21* did provide the AER with additional flexibility to permit licensees to acquire additional AER-licensed assets if:

- The licensee already has an LMR of 2.0 or higher;
- The acquisition will improve the licensee's LMR to 2.0 or higher; or
- The licensee is able to satisfy its obligations, notwithstanding an LMR below 2.0, by other means.

The AER provided no indication of what other means would be considered. In the short term the interim measures caused delays in completing transactions and reduced the pool of possible purchasers, however, transactions have been approved following a more rigorous review by the AER, despite a transferee's LMR not meeting the interim requirement. The Alberta Court of Appeal heard the appeal of the *Redwater* decision on October 11, 2016, with the Court reserving its decision.

The AER implemented the Inactive Well Compliance Program (the “**IWCP**”) to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under *Directive 013*:

Suspension Requirements for Wells (“**Directive 013**”). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within 5 years. As of April 1, 2015, each licensee is required to bring 20% of its inactive wells into compliance every year, either by reactivating or by suspending the wells in accordance with Directive 013 or by abandoning them in accordance with *Directive 020: Well Abandonment*. The list of current wells subject to the IWCP is available on the AER's Digital Data Submission system. The AER has announced that from April 1, 2015 to April 1, 2016, the number of noncompliant wells subject to the IWCP fell from 25,792 to 17,470, with 76% of licensees operating in the province having met their annual quota.

Climate Change Regulation

Federal

Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the oil and natural gas industry in Canada. Such regulations, surveyed below, impose certain costs and risks on the industry.

On April 26, 2007, the Government of Canada released “Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution” (the “**Action Plan**”) which set forth a plan for regulations to address both GHGs and air pollution. An update to the Action Plan, “Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions” was released on March 10, 2008 (the “**Updated Action Plan**”). The Updated Action Plan outlines emissions intensity-based targets, for application to regulated sectors on a facility-specific basis, sector-wide basis or company-by-company basis. Although the intention was for draft regulations aimed at implementing the Updated Action Plan to become binding on January 1, 2010, the only regulations being implemented are in the transportation and electricity sectors.

As a signatory to the *United Nations Framework Convention on Climate Change* (the “**UNFCCC**”) and a participant to the Copenhagen Accord (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it will seek a 17% reduction in GHG emissions from 2005 levels by 2020; however, the GHG emission reduction targets are not binding. In May 2015, Canada submitted its Intended Nationally Determined Contribution (“**INDC**”) to the UNFCCC. INDCs were communicated prior to the 2015 United Nations Climate Change Conference, held in Paris, France, which led to the Paris Agreement that came into force November 4, 2016 (the “**Paris Agreement**”). Among other items, the Paris Agreement constitutes the actions and targets that individual countries will undertake to help keep global temperatures from rising more than 2° Celsius and to pursue efforts to limit below 1.5° Celsius. The Government of Canada ratified the Paris Agreement on December 12, 2016, and pursuant to the agreement, Canada's INDC became its Nationally Determined Contributions (“**NDC**”). As a result, the Government of Canada replaced its INDC of a 17% reduction target established in the Copenhagen Accord with an NDC of 30% reduction below 2005 levels by 2030.

On June 29, 2016, the North American Climate, Clean Energy and Environment Partnership was announced among Canada, Mexico and the United States, which announcement included an action plan for achieving a competitive, low-carbon and sustainable North American economy. The plan includes setting targets for clean power generation, committing to implement the Paris Agreement, setting out specific commitments to address certain short-lived climate pollutants, and the promotion of clean and efficient transportation.

Additionally, on December 9, 2016, the Government of Canada formally announced the Pan-Canadian Framework on Clean Growth and Climate Change. As a result, the federal government will implement a Canada-wide carbon pricing scheme beginning in 2018. This may be implemented through either a cap and trade system or a carbon tax regime at the option of each province or territory. The federal government will impose a price on carbon of \$10 per tonne on any province or territory which fails to implement its own system by 2018. This amount will increase by \$10 annually until it reaches \$50 per tonne in 2022 at which time the program will be reviewed.

In general, there is some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as it is currently not possible to predict the extent of future requirements. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

Alberta

As part of its efforts to reduce GHG emissions, Alberta introduced legislation to address GHG emissions: the *Climate Change and Emissions Management Act* enacted on December 4, 2003 and amended through the *Climate Change and Emissions Management Amendment Act*, which received royal assent on November 4, 2008. The accompanying regulations include the *Specified Gas Emitters Regulation* (“**SGER**”), which imposes GHG limits, and the *Specified Gas Reporting Regulation*, which imposes GHG emissions reporting requirements. Alberta is the first jurisdiction in North America to impose regulations requiring large facilities in various sectors to reduce their GHG emissions. The *SGER* applies to facilities emitting more than 100,000 tonnes of GHGs in 2003 or any subsequent year (“**Regulated Emitters**”), and requires reductions in GHG emissions intensity (e.g. the quantity of GHG emissions per unit of production) from emissions intensity baselines established in accordance with the *SGER*.

On June 25, 2015, the Government of Alberta renewed the *SGER* for a period of two years with significant amendments while Alberta's newly formed Climate Advisory Panel conducted a comprehensive review of the province's climate change policy. As of 2015, Regulated Emitters are required to reduce their emissions intensity by 2% from their baseline in the fourth year of commercial operation, 4% of their baseline in the fifth year, 6% of their baseline in the sixth year, 8% of their baseline in the seventh year, 10% of their baseline in the eighth year, and 12% of their baseline in the ninth or subsequent years. These reduction targets will increase, meaning that Regulated Emitters in their ninth or subsequent years of commercial operation must reduce their emissions intensity from their baseline by 15% in 2016 and 20% starting in 2017.

A Regulated Emitter can meet its emissions intensity targets through a combination of the following: (1) producing its products with lower carbon inputs, (2) purchasing emissions offset credits from non-regulated emitters (generated through activities that result in emissions reductions in accordance with established protocols), (3) purchasing emissions performance credits from other Regulated Emitters that earned credits through the reduction of their emissions below the 100,000 tonne threshold, (4) cogeneration compliance adjustments, and (5) by contributing to the Climate Change and Emissions Management Fund (the “**Fund**”). Contributions to the Fund are made at a rate of \$15 per tonne of GHG emissions, increasing to a rate of \$20 per tonne of GHG emissions in 2016 and \$30 per tonne of GHG emissions starting in 2017. Proceeds from the Fund are directed at testing and implementing new technologies for greening energy production.

On November 22, 2015, as a result of the Climate Advisory Panel's Climate Leadership report, the Government of Alberta announced its Climate Leadership Plan. On June 7, 2016, the *Climate Leadership Implementation Act* (the “**CLIA**”) was passed into law. The *CLIA* enacted the *Climate Leadership Act* (the “**CLA**”) introducing a carbon tax on all sources of GHG emissions, subject to certain exemptions. An initial economy-wide levy of \$20 per tonne was implemented on January 1, 2017, increasing to \$30 per tonne in January of 2018. All fuel consumption—including gasoline and natural gas—will be subject to the levy, with certain exemptions, and directors of a corporation may be held jointly and severally liable with a corporation when the corporation fails to remit an owed carbon levy. Regulated Emitters will remain subject to the *SGER* framework until the end of 2017 and are exempt from paying the carbon levy on fuels used in operations until this time. Upon the expiry of the *SGER*, the Government of Alberta intends to transition to a proposed *Carbon Competitiveness Regulation*, in which sector specific output-based carbon allocations will be used to ensure competitiveness. A 100 megatonne per year limit for GHG emissions was implemented for oil sands operations, which currently emit roughly 70 megatonnes per year. This cap exempts new upgrading and cogeneration facilities, which are allocated a separate 10 megatonne limit.

There are certain exemptions to the carbon levy imposed by the *CLA*. Until 2023, fuels consumed, flared or vented in a production process by conventional oil and gas producers will be exempt from the carbon levy. An exemption also applies for biofuels and fuels sold for export. In addition, marked fuels used in farming operations as well as personal and band uses by First Nations are exempt.

The passing of the *CLIA* is the first step towards executing the Climate Leadership Plan (other legislation is still pending). In addition to enacting the *CLA*, the *CLIA* also enacted the *Energy Efficiency Alberta Act*, which enables the creation of Energy Efficiency Alberta, a new Crown corporation to support and promote energy efficiency programs and services for homes and businesses.

The Government of Alberta also signaled its intention through its Climate Leadership Plan to implement regulations that would lower methane emissions by 45% by 2025. Regulations are planned to take effect in 2020 to ensure the 2025 target is met.

Alberta is also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed \$1.24 billion over 15 years to fund two large-scale carbon capture and storage projects that will begin commercializing the technology on the scale needed to be successful. On December 2, 2010, the Government of Alberta passed the *Carbon Capture and Storage Statutes Amendment Act, 2010*. It deemed the pore space underlying all land in Alberta to be, and to have always been the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Circular.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Operational, Environmental and Reserves Risks Relating to the Company

The risk factors set forth in this Circular relating to the oil and natural gas business, environmental and the operations and reserves of the Company apply equally in respect of the Company. In particular, the reserve information contained in the Reserve Report in respect of the Company are only an estimate and the actual production from and ultimate reserves of those properties may be greater or less than the estimate contained in such reports. See “*Description of the Business – History and Recent Transactions*”.

Red Earth Caribou Protection

The Alberta Government Environment and Parks division has restricted surface mineral dispositions in northern sections of the province with a view to reduce the industrial footprint and impact on Caribou. Many of the surface mineral rights in the Red Earth area which would have otherwise presented economically viable drilling locations for the Company will not be accessible until the Alberta government determines a course of action on the Caribou and their migration. No timetable is set for further information on when these restrictions might be lifted.

Clearwater Development Egress

The future development and economics of the Clearwater formation in the Jarvie/Nipisi/Marten Hills area will be impacted by product takeaway and pipeline egress options which become available go forward. Currently there are no binding plans for any producers or midstream entities in the area to provide a pipeline for increased egress optionality. Current production from the area is restricted to takeaway and marketing via trucking. While economical to develop at current pricing, the long-term viability and economics of the developing play will be significantly impacted by the capital deployed by the Company and competitors in the area. There is large uncertainty at this time what the long-term marketing structure will look like for production out of this area.

Alberta Energy Regulator 2.0 LMR Requirements

As of the date of this Circular, the Company's LMR ratio with the Alberta Energy Regulator was 1.30. As the Company is below a 2.0 threshold as mandated by the AER, the Company must apply for discretion with the regulator whenever they transfer wellbores, facilities and pipelines in and out of the Company. This discretion is

subject to approval by the regulator and there is no guarantee of receiving their consent. To the date of this Circular the Company has not had any transactions restricted by the AER.

Current Pipeline Release Remediations

The Company is currently remediating three emulsion pipeline releases on a segment of pipeline which began in June 2018. As of September 30, 2018, the Company has recorded costs of \$21,900,000 relating to the remediation and reclamation work required to maintain the sites based on Alberta Energy Regulator guidelines. The Company has filed an insurance claim under their current environmental insurance policies and has received proof of loss documentation from subject underwriters. The insurance adjustor assigned by the Company's underwriters is currently working through the claim and verifying the Company's expenditures. As the claim has had coverage confirmed, the Company has accrued \$20,400,000 of spill costs receivable due from insurers at September 30, 2018. The accrual at September 30, 2018 considers the Company's self-insured portion of the spill of \$1,500,000 however the Company and the adjustor are both of the opinion the self-insured portion should be \$500,000 and are in discussions with the underwriters regarding same.

There is uncertainty with regards to the final response of the regulator and the Company's proposed remediation plan as this will impact the timing and magnitude of additional cost outlays. While the Company believes the expenses incurred so far constitute bona fide insurable costs under its environmental policies, there is risk that the insurers decline coverage regarding certain costs.

Prices, Markets and Marketing

Various factors may adversely impact the marketability of oil, natural gas and NGLs, affecting net production revenue, production volumes and development and exploration activities.

Numerous factors beyond the Company's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Company. The Company's ability to market its oil, natural gas and NGLs may depend upon its ability to acquire capacity on pipelines that deliver natural gas to commercial markets or contract for the delivery of crude oil by rail. Deliverability uncertainties related to the distance the Company's reserves are from pipelines, railway lines, processing and storage facilities; operational problems affecting pipelines, railway lines and facilities; and government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include economic and political conditions in the United States, Canada, Europe, China and emerging markets, the actions of the Organization of the Petroleum Exporting Countries ("OPEC") and other oil and gas exporting nations, governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Prices for oil, natural gas and NGLs are also subject to the availability of foreign markets and the Company's ability to access such markets. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and associated NGLs and a reduction in the volumes and the value of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices.

All these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas production, development and exploration activities. Any substantial and extended decline in the price of oil, natural gas and NGLs would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Oil, natural gas and NGLs prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, increased growth of shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil, natural gas and NGLs prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects. In addition, bank borrowings available to the Company may, in part, be determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could reduce the Company's borrowing base, therefore reducing the bank credit available to the Company which could require that a portion, or all, of the Company's bank debt be repaid.

See “*Risk Factors - Weakness in the Oil and Gas Industry*”.

Weakness in the Oil and Gas Industry

Weakness and volatility in the market conditions for the oil and gas industry may affect the value of the Company's reserves, restrict its cash flow and its ability to access capital to fund the development of its properties.

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by OPEC, slowing growth in emerging economies, market volatility and disruptions in Asia, sovereign debt levels and political upheavals in various countries have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. In addition, the inability to get the necessary approvals to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and gas industry in Western Canada has led to additional downward price pressure on oil and gas produced and sold in Western Canada and uncertainty and reduced confidence in the oil and gas industry in Western Canada. Lower commodity prices may also affect the volume and value of the Company's reserves, rendering certain reserves uneconomic. In addition, lower commodity prices restrict the Company's cash flow resulting in less funds from operations being available to fund the Company's capital expenditure budget. Consequently, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Any decrease in value of the Company's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Company's indebtedness, could result in the Company having to repay a portion of its indebtedness. In addition to possibly resulting in a decrease in the value of the Company's economically recoverable reserves, lower commodity prices may also result in a decrease in the value of the Company's infrastructure and facilities, all of which could also have the effect of requiring a write down of the carrying value of the Company's oil and gas assets on its balance sheet and the recognition of an impairment charge in its income statement. Given the current market conditions and the lack of confidence in the Canadian oil and gas industry, the Company may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Political Uncertainty

The Company's business may be adversely affected by recent political and social events and decisions made in the United States, Europe and elsewhere.

The Company's business may be adversely affected by recent political and social events and decisions made in the United States, Europe and elsewhere.

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During the 2016 presidential campaign a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. Recently, the US administration announced its withdrawal from the Trans-Pacific Partnership and Congress has passed sweeping tax reform, which, among other things, significantly reduces US corporate tax rates. This may affect competitiveness of other jurisdictions, including Canada. The North American

Free Trade Agreement has been replaced with the United States-Mexico-Canada Agreement and the practical impacts of this new treaty are uncertain at this time. The administration has also taken action with respect to reduction of regulation which may also affect relative competitiveness of other jurisdictions. It is unclear exactly what other actions the administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular the oil and gas industry. Any actions taken by the new United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and gas companies, including the Company. In addition to the political disruption in the United States, the citizens of the United Kingdom recently voted to withdraw from the European Union and deadline for the Government of the United Kingdom to implement such withdrawal is nearing. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on the Company's ability to market its products internationally, increase costs for goods and services required for the Company's operations, reduce access to skilled labour and negatively impact the Company's business, operations, financial conditions and the market value of its Common Shares.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and gas industry including the balance between economic development and environmental policy such as the potential impact of the recent change of government in British Columbia and announcements and actions by the government of British Columbia that may impact the completion of the Trans-Mountain Pipeline project and other infrastructure projects.

Exploration, Development and Production Risks

The Company's future performance may be affected by the financial, operational, environmental and safety risks associated with the exploration, development and production of oil and natural gas.

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves, and the production from them, will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage

to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, the Company may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Gathering and Processing Facilities and Pipeline Systems

Lack of capacity and/or regulatory constraints on gathering and processing facilities and pipeline systems may have a negative impact on the Company's ability to produce and sell its oil and natural gas.

The Company delivers its products through gathering and processing facilities and pipeline systems. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities and pipeline systems. The lack of availability of capacity in any of the gathering and processing facilities and pipeline systems could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. The lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to transport produced oil and gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results. As a result, producers are increasingly turning to rail as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, operations and cash flows. Announcements and actions taken by the governments of British Columbia and Alberta relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward. In addition, while the federal government has recently introduced draft legislation to overhaul the existing environmental assessment process and replace the NEB with a new regulatory agency, the impact of the new proposed regulatory scheme on proponents and the timing of receipt of approvals of major projects remains unclear.

A portion of the Company's production may, from time to time, be processed through facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on the Company's ability to process its production and deliver the same for sale. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Pipeline Systems

Pipeline interruptions or capacity constraints may have a negative impact on the Company's ability to transport and market its products.

The interruption of firm pipeline transportation has and may continue to affect the oil and natural gas industry and limit the ability to fully produce and market oil and natural gas production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems may also affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators may also affect the Company's production, operations and financial results. The Company's production could be adversely impacted by both firm and interruptible transportation service curtailments on TransCanada's NGTL and Canadian Mainline systems.

Project Risks

The success of the Company's operations may be negatively impacted by factors outside of its control resulting in operational delays, cost overruns and marketing challenges.

The Company manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. The Company's ability to execute projects and market oil, natural gas and NGLs depends upon numerous factors beyond the Company's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or the Company's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget, or at all and may be unable to market the oil and natural gas that it produces effectively.

Reserves Estimates

The Company's estimated proved and proved plus probable reserves are based on numerous factors and assumptions which may prove incorrect and which may affect the Company.

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from the properties;

- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil, natural gas and NGLs;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil, natural gas and NGLs, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Company's oil, natural gas and NGLs reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Company's reserves since that date.

Hedging

Hedging activities expose the Company to the risk of financial loss and counter-party risk.

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline, or to diversify commodity price risk to multiple markets. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines or to diversify commodity price risk, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Company will not benefit from the fluctuating exchange rate.

Credit Facility Arrangements

Failing to comply with covenants under the Company's credit facility could result in restricted access to capital or being required to repay all amounts owing thereunder.

The Company currently has a credit facility and the amount authorized thereunder is dependent on a reserves-based lending formula. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. A failure to comply with covenants could result in default under the Company's credit facility, which could result in the Company being required to repay amounts owing thereunder. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Company's credit facility may impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchasing or making other distributions with respect to the Company's securities, incurring additional indebtedness, providing guarantees, the assumption of loans, making capital expenditures, entering into amalgamations, mergers, take-over bids or disposing of assets, among others.

The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors to periodically determine the Company's borrowing base. Commodity prices continue to be depressed and have fallen dramatically since 2014, and while prices have recently increased they remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production and increasing production by US shale producers. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds available to the Company under the credit facility. Further, This could result in the requirement to repay a portion, or all, of the Company's indebtedness.

If the Company's lenders require repayment of all or portion of the amounts outstanding under its credit facilities for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that the Company would be in a position to make such repayment. Even if the Company is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under credit facilities, the lenders under the credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

The Company is in discussions with their lender to convert their current demand loan to a term facility. Unless an event of default occurred such as a covenant breach, the lender would not be able to call the demand loan until the next 6-month renewal period although under the proposed facility the Company would have the option to extend the loan for 364 days at the next renewal date. As a requirement of the TSXV for listing, the Company will be required to close this term loan in advance of closing the Transaction.

Forward-Looking Information

Forward-Looking Information May Prove Inaccurate.

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking information, and in particular, the guidance provided under “*General Development of the Business*”. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be

materially inaccurate. Additional information on the risks, assumption and uncertainties are found under “*Cautionary Note Regarding Forward-Looking Information*”.

Substantial Capital Requirements

The Company's access to capital may be limited or restricted as a result of factors related and unrelated to it, impacting its ability to conduct future operations, acquire and develop reserves.

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil, natural gas and NGLs reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Company's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Company's securities in particular.

Further, if the Company's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The Company may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Company may require additional financing from time to time to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by the current economic and global market volatility.

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and from time to time, the Company may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and gas industry and/or global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing.

As a result of global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any

financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Royalty Regimes

Changes to royalty regimes may negatively impact the Company's cash flows.

There can be no assurance that the governments in the jurisdictions in which the Company has assets will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or the Company's operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017.

Geo-Political Risks

Global political events may adversely affect commodity prices which in turn affect the Company's cash flow.

Political events throughout the world that cause disruptions in the supply of oil continuously affect the marketability and price of oil and natural gas acquired or discovered by the Company. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or the parties in power, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of the Company's net production revenue.

Eco-Terrorism Risks

The Company's properties may be subject to terrorist attack.

The Company's oil and natural gas properties, wells and facilities could be the subject of a terrorist attack. If any of the Company's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have insurance to protect against the risk from terrorism.

Management of Growth

The Company may not be able to effectively manage the growth of its business.

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Reliance on Key Personnel

Loss of key personnel would negatively impact the Company's operations.

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have any key personnel insurance in effect for the Company. The contributions of the existing management team to the immediate and near term operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Influential Shareholder

Following closing of the Highwood QT, it is anticipated that 1080766 Alberta Ltd. will initially hold approximately 68.6% of the issued and outstanding Common Shares and, as such, may be able to exert influence on the Company through its voting rights. Furthermore, through its voting rights, 1080766 Alberta Ltd. will be able to exercise influence over the management, administration, strategy and growth of the Company.

Joel A. MacLeod, a shareholder, director and officer of 1080766 Alberta Ltd.

Information Technology Systems and Cyber-Security

Breaches of the Company's cyber-security and loss of, or access to, electronic data may adversely impact its operations and financial position.

The Company has become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Market Price of Common Shares

The trading price of the Common Share may be adversely affected by factors related and unrelated to the oil and natural gas industry.

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market, including governmental regulatory actions or adverse changes in general market conditions or economic trends. In certain jurisdictions institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors, as well as the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Impact of Future Financings on Market Price

The Company's future financings may negatively impact the market price of the Common Shares.

In order to finance future operations or acquisition opportunities, the Company may raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Dilution

The Company may issue additional Common Shares, diluting current Shareholders.

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

Competition

The Company competes with other oil and natural gas companies, some of which have greater financial and operational resources.

The oil and gas industry is competitive in all of its phases. The Company competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage.

Environmental

Compliance with environmental regulations requires the dedication of a portion of the Company's financial and operational resources.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Disposal of Fluids Used in Operations

Regulations regarding the disposal of fluids used in the Company's operations may increase its costs of compliance or subject it to regulatory penalties or litigation.

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the Company's costs of compliance.

Climate Change

Compliance with greenhouse gas emissions regulations may result in increased operational costs to the Company.

The Company's exploration and production facilities and other operations and activities emit greenhouse gases which may require the Company to comply with GHG emissions legislation at the provincial or federal level.

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the UNFCCC and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its GHG emissions by 30 per cent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the planned implementation of a nation-wide price on carbon emissions. Provincially, the Government of Alberta has already implemented a carbon levy on almost all sources of GHG emissions, now at a rate of \$30 per tonne. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Some of the Company's significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing the Company's operating expenses and in the long-term reducing the demand for oil and gas production resulting in a decrease in the Company's profitability and a reduction in the value of its assets or asset write-offs.

Carbon Pricing Risk

Taxes on carbon emissions affect the demand for oil and natural gas, the Company's operating expenses and may impair the Company's ability to compete.

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternatives fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing the Company's operating expenses, each of which may have a material adverse effect on the Company's profitability and financial condition. Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Regulatory

Modification to current or implementation of additional regulations may reduce the demand for oil and natural gas and/or increase the Company's costs and/or delay planned operations.

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact the Company's operations, which may affect the Company's profitability.

In order to conduct oil and natural gas operations, the Company will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that the Company will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect the Company's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity.

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting the Company's financial position.

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate the production of oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or governmental claims, and could increase the Company's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reserves.

Due to seismic activity reported in the Fox Creek area of Alberta, the AER announced in February 2015, seismic monitoring and reporting requirements for hydraulic fracturing operators in the Duvernay zone in the Fox Creek area. These requirements include, among others, an assessment of the potential for seismicity prior to operations, the implementation of a response plan to address potential events, and the suspension of operations if a seismic event above a particular threshold occurs. The AER continues to monitor seismic activity around the province and may extend these requirements to other areas of the province if necessary.

Variations in Foreign Exchange Rates and Interest Rates

Variations in foreign exchange rates and interest rates could adversely affect the Company's financial condition.

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Company's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Company's reserves as determined by independent evaluators. Although a low value of

the Canadian dollar relative to the United States dollar may positively affect the price the Company receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Company's operations, which may have a negative impact on the Company's financial results.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract. An increase in interest rates could result in a significant increase in the amount the Company pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends and could negatively impact the market price of the Common Shares.

Changing Investor Sentiment

Changing investor sentiment towards the oil and gas industry may impact the Company's access to, and cost of, capital.

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Insurance

Not all risks of conducting oil and natural gas opportunities are insurable and the occurrence of an uninsurable event may have a materially adverse effect on the Company.

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Third Party Credit Risk

The Company is exposed to credit risk of third party operators or partners of properties in which it has an interest.

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its oil, natural gas and NGLs production and other parties. In addition, the Company may be exposed to third party credit risk from operators of properties in which the Company has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and

prospects. In addition, poor credit conditions in the industry and of joint venture partners may affect a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Liability Management

Liability management programs enacted by regulators in the western provinces may prevent or interfere with the Company's ability to acquire properties or require a substantial cash deposit with the regulator.

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its regulatory obligations. These programs involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is generally required. Changes to the required ratio of the Company's deemed assets to deemed liabilities or other changes to the requirements of liability management programs may result in significant increases to the Company's compliance obligations. In addition, the liability management regime may prevent or interfere with the Company's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. The recent Alberta Court of Queen's Bench decision, *Redwater Energy Corporation (Re)*, found an operational conflict between the *Bankruptcy and Insolvency Act* and the AER's abandonment and reclamation powers when the licensee is insolvent, which was affirmed by a majority of the Alberta Court of Appeal, and has been appealed by the AER to the Supreme Court of Canada for final determination. In response to the decision, the AER issued interim rules to administer the liability management program and until the Government of Alberta can develop new regulatory measures to adequately address environmental liabilities. There remains a great deal of uncertainty as to what new regulatory measures will be developed by the provinces or in concert with the federal government, as the final ruling will become binding in all Canadian jurisdictions.

Operational Dependence

The successful operation of a portion of the Company's properties is dependent on third parties.

Other companies operate some of the assets in which the Company has an interest. The Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others depends upon a number of factors that may be outside of the Company's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which the Company has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Company has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations the Company may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Company potentially becoming subject to additional liabilities relating to such assets and the Company having difficulty collecting revenue due from such operators or recovering amounts owing to the Company from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Company's financial and operational results.

Title to Assets

Defects in the title to the Company's properties may result in a financial loss.

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that a defect in the chain of title will not arise. The actual interest of the Company in properties may accordingly vary from the Company's records. If a title defect does exist, it is possible that the Company may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There may be valid challenges to title or legislative changes, which affect the Company's title to the oil and natural gas properties the Company controls that could impair the Company's activities on them and result in a reduction of the revenue received by the Company.

Expiration of Licenses and Leases

The Company or its working interest partners may fail to meet the requirements of a licence or lease, causing its termination or expiry.

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved and the Company may dispose of non-core assets for less than their carrying value on the financial statements as a result of weak market conditions.

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

In addition, acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets acquired and the Company's securities.

Reputational Risk Associated with the Company's Operations

The Company relies on its reputation to continue its operations and to attract and retain investors and employees.

Any environmental damage, loss of life, injury or damage to property caused by the Company's operations could damage the Company's reputation in the areas in which the Company operates. Negative sentiment towards the Company could result in a lack of willingness of municipal authorities being willing to grant the necessary licenses or permits for the Company to operate its business and in residents in the areas where the Company is doing business opposing further operations in the area by the Company. If the Company develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Further, the Company's reputation could be affected by actions and activities of other corporations operating in the oil and gas industry, over which the Company has no control. In addition, environmental damage, loss of life, injury or damage to property caused by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Issuance of Debt

Increased debt levels may impair the Company's ability to borrow additional capital on a timely basis to fund opportunities as they arise.

From time to time, the Company may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Conflicts of Interest

Conflicts of interest may arise for the Company's directors and officers who are also involved with other industry participants.

Certain directors or officers of the Company may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Cost of New Technologies

The Company's ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete.

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be affected

adversely and materially. If the Company is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect the Company's financial condition, results of operations and cash flow.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar affect on the demand for oil and gas products. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows by decreasing the Company's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Litigation

The Company may be involved in litigation in the course of its normal operations and the outcome of the litigation may adversely affect the Company and its reputation.

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company, and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

Breach of Confidentiality

Breach of confidentiality by a third party could impact the Company's competitive advantage or put it at risk of litigation.

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Internal Controls

Material weaknesses in the Company's internal controls may negatively affect the Company and the market price of the Common Shares.

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Income Taxes

Taxation authorities may reassess the Company's tax returns.

The Company files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Availability of Drilling Equipment and Access

Restrictions on the availability of and access to drilling equipment may impede the Company's exploration and development activities.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) as well as skilled personnel trained to use such equipment in the areas where such activities will be conducted. Demand for such limited equipment and skilled personnel, or access restrictions, may affect the availability of such equipment and skilled personnel to the Company and may delay exploration and development activities.

Seasonality and Extreme Weather Conditions

Oil and natural gas operations are subject to seasonal and extreme weather conditions and the Company may experience significant operational delays as a result.

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of the Company's production if not otherwise tied-in. Certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict the Company's ability to access its properties, cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions.

Aboriginal Claims

Aboriginal claims may affect the Company.

Aboriginal peoples have claimed aboriginal title and rights in portions of Western Canada. The Company is not aware that any claims have been made in respect of its properties and assets. However, if a claim arose and was successful, such claim may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a material adverse effect on the Company's business and financial results.

Dividends

The Company has paid dividends but there is no assurance that it will do so in the future.

The amount of future cash dividends paid by the Company, if any, will be subject to the discretion of the board of directors of the Company and will depend on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. See “*Dividend Record and Policy*” in Appendix “C” – “*Information Concerning the Resulting Issuer*”

Expansion into New Activities

Expanding the Company's business exposes it to new risks and uncertainties.

The operations and expertise of the Company's management are currently focused primarily on oil and gas production, exploration and development in the Western Canada Sedimentary Basin. In the future the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets and as a result may face unexpected risks or alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings the Company is or was a party to, or that any of its property is or was the subject of, during the Company's most recent financial year, nor are any such legal proceedings known to the Company to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of the Company.

There are no: (a) penalties or sanctions imposed against The Company by a court relating to securities legislation or by a securities regulatory authority since The Company's inception; (b) other penalties or sanctions imposed by a court or regulatory body against The Company that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements The Company entered into before a court relating to securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Circular.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than regarding the purchase of land from Predator Oil BC (as described under “*Description of the Business - History and Recent Transactions*” or elsewhere in this Circular), there is no material interest, direct or indirect, of any: (a) director or executive officer of the Company; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's voting securities; and (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within the

three years before the date of this Circular that has materially affected or is reasonably expected to materially affect the Company.

PROMOTERS

Joel A. MacLeod, Chairman, took the initiative in founding the Company and arranging for its organization and, accordingly, may be considered to be the promoter of the Company. The following table sets out Mr. MacLeod's shareholdings in the Company before and after giving effect to the Highwood QT.

<u>Name of Promoter</u>	<u>Common Shares Held Directly or Indirectly Immediately prior to Completion of the Highwood QT ⁽¹⁾</u>	<u>Percentage of Outstanding Common Shares Before Giving Effect to the Highwood QT ⁽²⁾</u>
Joel A. MacLeod ⁽²⁾	4,035,120 ⁽⁴⁾	70.2%

Notes:

1. There are a total outstanding 5,744,204 Common Shares at the date of this Circular.
2. See "*Executive Compensation*" for a discussion of the anticipated compensation Joel A. MacLeod in his capacity as Director of the Company. Other than as disclosed herein, Joel A. MacLeod has not received anything of value from the Company nor have there been any assets, services or other consideration received or expected to be received by the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's current auditor is RSM Alberta LLP. Collins Barrow Calgary LLP was the previous auditor appointed from incorporation until December 2018.

The Company acts as its own transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that the Company has entered into prior to the date of this Circular, which can reasonably be regarded as presently material, are the following:

1. Drilling Commitment Agreement; and
2. Overriding Royalty Agreement;

Copies of the foregoing and the articles of the Company may be inspected during ordinary office business hours at the Company's principal offices located at Suite 900, 222 - 3 Ave SW, Calgary, Alberta.

EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion in this Circular and whose profession or business gives authority to such report, valuation, statement or opinion, are: (i) DLA Piper (Canada) LLP, the Company's counsel; (ii) RSM Alberta LLP, the Company's independent auditor; and (iii) GLJ, the Company's independent reserve evaluators in connection with the Reserve Report.

Interests of Experts

To the Company's knowledge, no registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates: (i) were held by GLJ or by the "designated professionals" (as defined in Form 51-102F2) of GLJ, when GLJ prepared the Reserve Report; (ii) were

received by GLJ or the designated professionals of GLJ after GLJ prepared the Reserve Report; or (iii) is to be received by GLJ or the designated professionals of GLJ.

Neither GLJ nor any director, officer or employee of GLJ is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

Trevor Wong-Chor, corporate secretary of the Company, is a Partner with DLA Piper (Canada) LLP, a law firm which provides legal services to the Company on a fee for services basis.

As at the date hereof, DLA Piper (Canada) LLP, the Company's counsel and its designated professionals, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

RSM Alberta LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

GLOSSARY OF SELECTED OIL AND GAS TERMS

In this Circular, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below:

°API means the American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids.

API means the American Petroleum Institute.

basin means a large natural depression on the earth's surface in which sediments generally brought by water accumulate.

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

Company Net Reserves means the working interest owner's share of gross reserves after the deduction of royalties. Royalty interest share is included in this category.

development cost means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

development well means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

exploration costs means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

exploratory well means a well that is not a development well, a service well or a stratigraphic test well.

field means a defined geographical area consisting of a single reservoirs or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

forecast prices and costs means future prices and costs that are:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

formation means a layer of rock which has distinct characteristics that differ from nearby rock.

gross means:

- (a) in relation to a company's interest in production or reserves, its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company;
- (b) in relation to wells, the total number of wells in which a company has an interest; and
- (c) in relation to properties, the total area of properties in which a company has an interest.

net means:

- (a) in relation to a company's interest in production and reserves, the company's interest (operating and non -operating) share after deduction of royalty obligations, plus the company's royalty interest in production or reserves;

- (b) in relation to a company's interest in wells, the number of wells obtained by aggregating the company's working interest in each of its gross wells; and
- (c) in relation to a company's interest in a property, the total area in which the company has an interest multiplied by the working interest owned by the company.

net acres means the percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

property acquisition costs are those costs incurred for the acquisition of property rights or properties for the purpose of further exploring for or removing oil or gas from reservoirs on those properties.

proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

reservoir means a porous and permeable underground rock formation containing a natural accumulation of petroleum that is confined by impermeable rock or water barriers, is separate from other reservoirs and is characterized by a single pressure system.

service well means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

working interest means the right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

SCHEDULE "FS"

INDEX TO FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Page</u>
<i>Historical Financial Statements and Management's Discussion and Analysis</i>	
Unaudited Statement of Financial Position as at September 30, 2018 and 2017 and Statements of Net & Comprehensive Loss, Changes in Shareholders' Equity and Cash Flows for the nine-month period ending September 30, 2018 and 2017, including the notes thereto	FS-3
Management's Discussion & Analysis with respect to the financial results for the period ended September 30, 2018 and 2017	FS-31
Audited Statement of Financial Position as at December 31, 2017 and 2016 and Statements of Net & Comprehensive Loss, Changes in Shareholders' Equity and Cash Flows for the year ended December 31, 2017 and 2016, including the notes thereto and the Auditor's Report thereon	FS-56
Management's Discussion & Analysis with respect to the financial results for the period ended December 31, 2017 and 2016.....	FS-88

Highwood Oil Company Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018

(unaudited)

Highwood Oil Company Ltd.
Condensed Interim Consolidated Statement of Financial Position

(amounts in Canadian dollars)

(unaudited)

	Note	As at September 30, 2018	As at December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		\$ 365,661	\$ -
Accounts receivable	3, 15	31,226,735	3,872,663
Deposits and prepaid expenses		1,016,497	166,230
Due from related party		-	1,562,105
Total current assets		32,608,893	5,600,998
Accounts receivable	3	-	115,166
Acquisition deposit	18	255,000	710,000
Reclamation deposits		141,300	141,300
Exploration and evaluation assets	5	9,364,197	4,992,805
Property, plant and equipment	7	79,938,805	68,246,666
Total assets		\$ 122,308,195	\$ 79,806,935
Liabilities			
Current liabilities			
Bank overdraft		\$ -	\$ 359,551
Accounts payable and accrued liabilities	14	23,448,347	2,891,864
Bank debt	8	32,000,000	16,400,000
Commodity contracts	15(b)	2,365,000	523,000
Total current liabilities		57,813,347	20,174,415
Accounts payable and accrued liabilities		1,482,453	-
Commodity contracts	15(b)	117,000	100,000
Decommissioning liabilities	9	29,542,999	28,387,999
Deferred tax liability		4,913,000	4,281,000
Total liabilities		93,868,799	52,943,414
Shareholders' Equity			
Equity attributable to Highwood Oil Company Ltd.			
Share capital		11,500,000	11,500,000
Contributed surplus		1,056,125	827,125
Retained earnings		15,732,259	14,386,488
Equity attributable to Highwood Oil Company Ltd.		28,288,384	26,713,613
Non-controlling interest		151,012	149,908
Total equity		28,439,396	26,863,521
Total liabilities and shareholders' equity		\$ 122,308,195	\$ 79,806,935

Commitments and contingencies (note 6, 14)

Subsequent events (note 8, 15, 17, 18)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Approved by the Board:

"Signed" Stephen J. Holyoake, Director

"Signed" Joel MacLeod, Director

Highwood Oil Company Ltd.

Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(amounts in Canadian dollars)

(unaudited)

		Three Months Ended,		Nine Months Ended,	
	Note	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue					
Oil and natural gas sales	4	\$ 7,336,814	\$ 5,119,852	\$ 21,826,363	\$ 22,012,786
Royalties		(1,194,395)	(470,568)	(3,598,546)	(2,446,455)
Transportation pipeline revenues		975,964	-	2,640,085	-
Processing and road use revenues	4	264,224	(82,858)	1,329,348	618,976
Realized gain (loss) on commodity contracts		(817,395)	162,904	(1,461,337)	1,620,715
Unrealized gain (loss) on commodity contracts		305,000	(817,000)	(1,859,000)	1,353,000
Total revenue, net of royalties		6,870,212	3,912,330	18,876,913	23,159,022
Expenses					
Operating and transportation	14	5,084,434	4,037,019	14,963,381	13,507,208
General and administrative		720,058	668,676	1,909,603	2,271,305
Bad debt expense		500	(1,193)	56,916	29,263
Exploration and evaluation expenditures	5	-	180,000	-	206,000
Depletion and depreciation	7,9	1,273,000	1,325,600	4,259,000	4,017,600
Stock-based compensation	12	192,000	48,000	229,000	142,000
Total expenses		7,269,992	6,258,102	21,417,900	20,173,376
Operating income (loss)		(399,780)	(2,345,772)	(2,540,987)	2,985,646
Other income (expenses)					
Bargain purchase gain		-	51,613	-	2,686,751
Gain on disposal of assets	6	6,266,965	-	6,366,965	-
Transaction costs		(14,277)	(2,347)	(18,647)	(343,523)
Realized loss on investment		-	(2,013,750)	-	(2,013,750)
Unrealized gain on investment		-	1,785,467	-	-
Finance income and expenses, net	10	(859,379)	(346,524)	(1,814,456)	(1,213,187)
Total other income (expenses)		5,393,309	(525,541)	4,533,862	(883,709)
Income (loss) before taxes		4,993,529	(2,871,313)	1,992,875	2,101,937
Current tax recovery		-	-	-	30,989
Deferred tax (expense) recovery		(1,451,000)	166,000	(646,000)	(461,000)
Total tax (expense) recovery		(1,451,000)	166,000	(646,000)	(430,011)
Income (loss) and comprehensive income (loss) for the period		\$ 3,542,529	\$ (2,705,313)	\$ 1,346,875	\$ 1,671,926
Attributable to:					
Equity holders of Highwood Oil Company Ltd.					
		\$ 3,542,422	\$ (2,705,341)	\$ 1,345,771	\$ 1,671,586
Non-controlling interest					
		\$ 107	\$ 28	\$ 1,104	\$ 340
Earnings (loss) per share					
Basic	11	\$ 0.64	\$ (0.49)	\$ 0.24	\$ 0.30
Diluted	11	\$ 0.62	\$ (0.49)	\$ 0.23	\$ 0.29

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Highwood Oil Company Ltd.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(amounts in Canadian dollars)
(unaudited)

Equity attributable to Highwood Oil Company Ltd. shareholders

	Note	Share capital	Contributed surplus	Retained earnings	Total	Non-controlling interest	Total equity
Balance, January 1, 2018		\$ 11,500,000	\$ 827,125	\$ 14,386,488	\$ 26,713,613	\$ 149,908	\$ 26,863,521
Stock-based compensation	12	-	229,000	-	229,000	-	229,000
Income and comprehensive income for the period		-	-	1,345,771	1,345,771	1,104	1,346,875
Balance, September 30, 2018		\$ 11,500,000	\$ 1,056,125	\$ 15,732,259	\$ 28,288,384	\$ 151,012	\$ 28,439,396
Balance, January 1, 2017		\$ 11,500,000	\$ 861,111	\$ 14,538,237	\$ 26,899,348	\$ 149,305	\$ 27,048,653
Stock-based compensation	12	-	142,000	-	142,000	-	142,000
Income and comprehensive income for the period		-	-	1,671,586	1,671,586	340	1,671,926
Balance, September 30, 2017		\$ 11,500,000	\$ 1,003,111	\$ 16,209,823	\$ 28,712,934	\$ 149,645	\$ 28,862,579

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Highwood Oil Company Ltd.
Condensed Interim Consolidated Statement of Cash Flows

(amounts in Canadian dollars) (unaudited)	Note	Three Months Ended, September 30,		Nine Months Ended, September 30,	
		2018	September 30, 2017	2018	2017
Cash provided by (and used in)					
Operating activities					
Income (loss) for the period		\$ 3,542,529	\$ (2,705,313)	\$ 1,346,875	\$ 1,671,926
Items not involving cash:					
Unrealized (gain) loss on commodity contracts		(305,000)	817,000	1,859,000	(1,353,000)
Unrealized gain on investment		-	(1,785,467)	-	-
Realized loss on investment		-	2,013,750	-	2,013,750
Exploration and evaluation expenditures	5	-	180,000	-	206,000
Depletion and depreciation expense	7,9	1,273,000	1,325,600	4,259,000	4,017,600
Bargain purchase gain		-	(51,613)	-	(2,686,751)
Finance expense	10	152,000	148,000	465,000	449,000
Deferred tax expense (recovery)		1,451,000	(166,000)	646,000	461,000
Stock-based compensation	12	192,000	48,000	229,000	142,000
Gain on disposal of assets	6	(6,266,965)	-	(6,366,965)	-
Cash abandonment expenditures	9	(62,331)	(146,985)	(62,331)	(741,064)
Change in long-term accounts receivable		49,100	38,672	115,166	84,931
Change in long-term accounts payable and accrued liabilities		(40,764)	-	1,582,453	-
Change in non-cash working capital	13	(2,950,439)	1,321,415	(3,480,828)	1,071,113
<i>Net cash from (used in) operating activities</i>		(2,965,871)	1,037,059	592,370	5,336,505
Financing activities					
Bank debt, net of repayments	8	7,000,000	(3,800,000)	15,600,000	(2,675,000)
<i>Net cash from (used in) financing activities</i>		7,000,000	(3,800,000)	15,600,000	(2,675,000)
Investing activities					
Advances to related parties	17	-	(2,800)	(404,952)	(3,015,800)
Repayments of advances to related parties	17	-	3,015,800	1,967,057	3,015,800
Acquisition deposit	18	(127,500)	-	(255,000)	-
Acquisition of assets held for sale		-	8,489	-	(26,149,185)
Acquisition of petroleum and natural gas assets	6	(1,132,085)	(700,000)	(5,673,242)	(700,000)
Additions to property, plant and equipment	7	(166,522)	(147,031)	(8,571,151)	(2,782,809)
Additions to exploration and evaluation assets	5	(819,548)	(1,617,761)	(4,525,392)	(2,150,363)
Proceeds on disposition of property plant and equipment	6	141,091	-	141,091	-
Proceeds on disposition of exploration and evaluation assets	6	6,000,000	-	6,000,000	408,000
Proceeds on dispositions of assets held for sale		-	63,124	-	28,028,205
Proceeds on disposal of investment		-	3,487,981	-	3,487,981
Change in non-cash working capital	13	(7,568,104)	426,659	(4,145,569)	(560,779)
<i>Net cash from (used in) investing activities</i>		(3,672,668)	4,534,461	(15,467,158)	(418,950)

Change in cash and cash equivalents	\$ 361,462	\$ 1,771,520	\$ 725,212	\$ 2,242,555
Cash and cash equivalents (bank overdraft), beginning of period	4,199	(90,747)	(359,551)	(561,782)
Cash and cash equivalents (bank overdraft), end of period	\$ 365,661	\$ 1,680,773	\$ 365,661	\$ 1,680,773
Cash and cash equivalents is comprised of:				
Balances with banks (bank overdraft)	\$ 365,661	\$ 1,680,773	\$ 365,661	\$ 1,680,773
Supplemental cash flow information (note 13)				

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

1. REPORTING ENTITY

Highwood Oil Company Ltd. (the “Company”) is a private oil and natural gas exploration, development and production Company incorporated in Alberta, Canada on August 24, 2012. The Company conducts its operations in the Western Canadian Sedimentary basin, primarily in the province of Alberta. The Company’s principal place of business is located at Suite 900, 222 – 3rd Avenue SW, Calgary, Alberta, T2P 0B4. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 20, 2018.

The condensed interim consolidated financial statements include the accounts of the Company and its subsidiary, Predator Oil Partnership, where the Company holds 99% equity interest.

Name Change:

Effective October 29, 2018, the Company obtained shareholder approval to change its name from Predator Oil Ltd. to Highwood Oil Company Ltd.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34, “Interim Financial Reporting”, using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2017 and the notes thereto.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in note 3 of the Company’s audited consolidated financial statements for the year ended December 31, 2017. All accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year, with the exception of the changes described in note 2 (b).

(b) Change in accounting policies

(i) IFRS 9, “Financial Instruments”

On January 1, 2018, the Company adopted IFRS 9, "Financial Instruments", which replaces IAS 39 "Financial Instruments". This new standard accounts for all aspects of financial instruments and includes a logical model for classification and measurement, a single forward looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. The Company does not employ hedge accounting for its commodity contracts currently in place. Adoption of this new standard did not have any material impact on the Company's consolidated financial statements. The Company has adopted IFRS 9 using a retrospective approach with no impact to opening retained earnings of comparative periods and no adjustments to the carrying value of any of the Company’s financial instruments.

The Company has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

Financial Instruments

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

Financial Assets	IAS 39	IFRS 9
Cash and cash equivalents (bank overdraft)	Fair value through profit or loss	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Due from related party	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Financial Liabilities	IAS 39	IFRS 9
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Commodity contracts	Fair value through profit or loss	Fair value through profit or loss
Bank debt	Amortized cost	Amortized cost

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model under IAS 39. Under this new model, the majority of the Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have significant financing component and a lifetime expected credit loss ("ECL") is measured as the date of initial recognition of accounts receivable.

Within the Company's accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivables and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. Lifetime ECLs are a probability-weighted estimate of all possible default events over the expected life of a financial asset and are measured as the difference between the present value of the cash flows due to the Company and the cash flows the Company expects to receive. In making an assessment as to whether the Company's financial assets are credit-impaired, the Company considers bad debts that the Company has incurred historically, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, and the term to maturity of the specified receivable. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized as bad debt expense in the statements on income (loss) and comprehensive income (loss).

Based on industry experience, the Company considered financial assets to be in default when the receivable is more than 90 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of collection pursuits outweigh the benefits of collection, the Company derecognizes the gross carrying amount of the asset and the associated allowance from the statement of financial position.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

(ii) IFRS 15, "Revenue from Contracts with Customers"

On January 1, 2018, the Company adopted IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces the existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The Company has adopted IFRS 15 using a modified retrospective approach. In its modified retrospective application of IFRS 15, the Company applied a practical expedient that allows the Company to avoid re-considering the accounting for sales contracts that were completed prior to January 1, 2018 and were accounted for under its previous revenue accounting policy. As a result of the adoption of IFRS 15, no changes to the Company's comparative consolidated financial statements were required. IFRS 15 did not have any material impact on the condensed interim consolidated statement of income and comprehensive income for the three and nine month periods ended September 30, 2018 or its condensed interim consolidated statement of financial position as at September 30, 2018.

The Company has revised the description of its accounting policy for revenue recognition to reflect the new standard as follows:

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer (often at terminals, pipelines, or other transportation methods).

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Fees charged to other entities for use of pipelines, processing facilities and roads owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided. Generally, as the Company performs the distinct services stipulated under the contract, it does not have any remaining performance obligations to its customer for those services.

(iii) Depletion and depreciation

Transportation pipelines are depreciated over the estimated useful life using the straight-line depreciation method. The estimated useful life of the transportation pipelines is 25 years.

(iv) Earning (loss) per share

Basic earnings (loss) per common share is computed by dividing the income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share amounts are calculated by giving effect to the potential dilution that would occur if contracts to issue common shares were exercised, fully vested, or converted to common shares. The treasury stock method is used to determine the dilutive effect of dilutive instruments. The treasury stock method assumes that the proceeds received from the exercise price of in-the-money dilutive instruments are used to repurchase common shares.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

(c) Management’s significant accounting judgments, estimates and assumptions

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates, judgments and assumptions made by management in the preparation of these condensed interim consolidated financial statements are consistent with those identified in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2017 and the notes thereto. There have been no changes to the use of estimates or management’s judgments since December 31, 2017, with the exception of judgements and estimates relating to an insurable event (note 14(b)), the estimates related to variable consideration and original cost of the Clearwater assets (note 6) and the depreciation method used on the Company’s transportation pipeline assets. Management believes the event meets the requirements of an insurable event and the costs will be covered by insurance proceeds, less the deductible. The costs are estimated based on the amount of work expected to be required to remediate the site where the event occurred.

(d) Accounting standards issued but not yet applied

In January 2016, the IASB issued IFRS 16, “Leases” to replace IAS 17, “Leases”. Under IFRS 16, a single recognition and measurement model will apply for lessees, which will require recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently identifying, gathering and analyzing contracts impacted by the adoption of the new standard, as well as evaluating the system requirements for implementation. The Company is currently evaluating the impact of adopting IFRS on the Company’s consolidated financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	September 30,	December 31,
	2018	2017
Oil and natural gas marketers	\$ 2,460,918	\$ 1,855,952
Joint interest partners	1,340,769	787,893
Road use receivable	693,136	738,038
Government sales tax	168,571	-
Other ¹	6,163,341	605,946
Insurance proceeds ²	20,400,000	-
Balance	\$ 31,226,735	\$ 3,987,829

¹ Other accounts receivable primarily consists of a gas cost allowance accrual of \$100,000 (December 31, 2017 - \$278,000) and proceeds held in escrow of \$6,000,000 relating to the disposition of the Clearwater royalty (note 6).

² Insurance proceeds relates to an insurable event that occurred during the nine months ended September 30, 2018. The Company has accrued an amount in accounts payable and accrued liabilities totalling \$21,900,000, less amounts paid by September 30, 2018 for balances owed to third party vendors relating to this event (note 1(b)).

Allowance for bad debts at September 30, 2018 totalled \$357,824 (December 31, 2017 - \$357,824).

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

4. REVENUE

Oil and natural gas sales:

The Company sells its production pursuant to fixed for variable-price contracts. The transaction price for variable fixed contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending the contract terms. The Company is required to deliver a fixed or variable volume of product to the customer. Revenue is recognized when a unit of production is delivered to the customer and control of the product transferred.

Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's oil and natural gas sales, all of which are from revenue from contracts with customers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Oil	\$ 7,333,099	\$ 5,103,489	\$ 21,804,576	\$ 17,908,706
Natural gas liquids	1,708	5,794	9,473	1,605,040
Natural gas	2,007	10,569	12,314	2,499,040
Total	\$ 7,336,814	\$ 5,119,852	\$ 21,826,363	\$ 22,012,786

Processing and road use revenues:

The following table summarizes the Company's processing and road use revenues.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Processing	\$ 188,143	\$ 242,532	\$ 766,634	\$ 545,099
Road Use	76,081	(159,674)	562,714	73,877
Total	\$ 264,224	\$ (82,858)	\$ 1,329,348	\$ 618,976

5. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets is comprised of the following:

Balance, January 1, 2017	\$ 1,553,993
Additions	6,703,085
Dispositions	(3,058,273)
Land lease expiries	(206,000)
Balance, December 31, 2017	\$ 4,992,805
Additions	4,735,392
Dispositions (note 6)	(400,000)
Change in decommissioning liabilities (note 9)	36,000
Balance, September 30, 2018	\$ 9,364,197

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

During the three and nine month periods ended September 30, 2018, the Company expensed certain costs previously capitalized as exploration and evaluation assets as the lease term of undeveloped lands expired in the amount of \$nil and \$nil, respectively (three and nine month periods ended September 30, 2017 - \$180,000 and \$206,000). These amounts have been included as exploration and evaluation expenditures in the statement of income (loss) and comprehensive income (loss).

6. ACQUISITIONS AND DISPOSITIONS

Wabasca and North Senex Pipeline

On January 15, 2018, the Company completed the acquisition of a 64.441% working interest in the Wabasca river pipeline system and 87.5% working interest in the North Senex pipeline system, both located in the Red Earth area of Alberta for total cash consideration of \$4,395,170, being the agreed upon purchase price of \$5,000,000 less adjustments for net revenues and other items from the effective date of October 1, 2017 to close of \$604,830. The acquisition was recognized as a business combination in accordance with IFRS 3 – Business Combinations, as the acquired assets and liabilities assumed constitute a business. The values attributable to property, plant and equipment were determined by reference to a discounted cash flow model. The Company acquired interests in the Wabasca river pipeline system and North Senex pipeline system (collectively “transportation pipelines”) for purpose of producing cash flows. Cash consideration was paid with advances from the Company’s revolving operating demand loan (note 8) and the acquisition deposit of \$500,000.

The fair value of the net assets acquired is as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	\$ 4,454,170
Decommissioning liability	(59,000)
Total net assets acquired	4,395,170
Purchase consideration transferred	\$ 4,395,170
Consideration for the acquisition:	
Cash paid	\$ 4,395,170

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized.

Acquisition related costs totalling \$11,395 have been excluded from consideration paid and were recognized as transaction costs on the statement of income (loss) and comprehensive income (loss) for the period ending December 31, 2017, when the costs were incurred.

If the transaction to acquire the transportation pipelines had taken place on January 1, 2018, it is estimated that the assets acquired would have contributed incremental revenues of \$nil and \$100,449 and net income before taxes of \$nil and \$60,892, respectively, for the three and nine month periods ended September 30, 2018.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

Additional Interest in Wabasca

On April 30, 2018, the Company completed the acquisition of an additional 10.068% working interest in the Wabasca river pipeline system for total cash consideration of \$625,987, being the agreed upon purchase price of \$705,000 less adjustments for net revenues and other items from the effective date of March 1, 2018 to close of \$79,013. The acquisition was recognized as a business combination in accordance with IFRS 3 – Business Combinations, as the acquired assets and liabilities assumed constitute a business. The values attributable to property, plant and equipment were determined by reference to a discounted cash flow model. The Company acquired interests in the Wabasca river pipeline system for purpose of producing cash flows. Cash consideration was paid with advances from the Company’s revolving operating demand loan (note 8) and the acquisition deposit of \$70,500.

The fair value of the net assets acquired is as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	\$ 634,987
Decommissioning liability	(9,000)
<hr/>	<hr/>
Total net assets acquired	625,987
<hr/>	<hr/>
Purchase consideration transferred	\$ 625,987

Consideration for the acquisition:	
Cash paid	\$ 625,987

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized.

Acquisition related costs totalling \$4,370 have been excluded from consideration paid and were recognized as transaction costs on the statement of income (loss) and comprehensive income (loss) for the three and nine month periods ending September 30, 2018, when the costs were incurred.

If the transaction to acquire the transportation pipelines had taken place on January 1, 2018, it is estimated that the assets acquired would have contributed incremental revenues of \$nil and \$137,521 and net income before taxes of \$ nil and \$95,436, respectively, for the three and nine month periods ended September 30, 2018.

Trout Assets

On July 31, 2018, the Company completed the acquisition of petroleum and natural gas assets in the Trout area of the Company’s Red Earth core CGU (“Trout assets”) for total cash consideration of \$1,132,085, being the agreed upon purchase price of \$1,275,000 less adjustments for net revenues and other items from the effective date of May 1, 2018 to close of \$142,915. The acquisition was recognized as a business combination in accordance with IFRS 3 – Business Combinations, as the acquired assets and liabilities assumed constitute a business. The values attributable to property, plant and equipment were determined by reference to a discounted cash flow model. The Company acquired the Trout assets for purpose of producing cash flows. Cash consideration was paid with advances from the Company’s revolving operating demand loan (note 8) and the acquisition deposit of \$127,500.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

The fair value of the net assets acquired is as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	\$ 2,830,500
Deposits and prepaid expenses	37,585
Deferred tax asset	14,000
Decommissioning liability	(1,750,000)
Total net assets acquired	1,132,085
Purchase consideration transferred	\$ 1,132,085

Consideration for the acquisition:	
Cash paid	\$ 1,132,085

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized.

Acquisition related costs totalling \$5,811 have been excluded from consideration paid and were recognized as transaction costs on the statement of income (loss) and comprehensive income (loss) for the period ending September 30, 2018, when the costs were incurred.

If the transaction to acquire the Trout assets had taken place on January 1, 2018, it is estimated that the assets acquired would have contributed incremental revenues of \$160,394 and \$1,216,350 and net income before taxes of \$37,944 and \$525,096, respectively, for the three and nine month periods ended September 30, 2018.

Disposition of non-core assets

On August 10, 2018, the Company disposed of non-core petroleum and natural gas assets for cash proceeds of \$141,091 being the agreed upon purchase price of \$100,000 plus adjustments for net revenues and other items from the effective date of June 1, 2018 to close of \$41,091. The disposed properties had a net book value in property and equipment of \$379,000, a decommissioning liability of \$921,000 and \$16,126 in related working capital items. As a result of the disposition, the Company recognized a gain on disposal of assets of \$666,965 during the three and nine month periods ended September 30, 2018.

Clearwater royalty disposition

On September 28, 2018, the Company, along with its 50% joint venture partner in the Clearwater area, disposed of a 4% royalty over the jointly held Clearwater mineral rights for gross proceeds of \$12,000,000. As a condition of the royalty divestiture, the parties must drill a minimum of eight wells in the formation prior to March 31, 2020. The gross proceeds of \$12,000,000 will be held in escrow with the legal counsel of the purchaser. Upon rig release of each applicable well, \$1,500,000 gross, will be released from the escrow account to the Company. Should total drilling, completion and equipping costs be less than \$1,500,000 gross per well, the Company and its joint venture partner will be required to drill additional wells prior to September 30, 2020 or reimburse funds to the purchaser.

At September 30, 2018, the \$6,000,000 the Company's 50% share of the gross proceeds that they will receive as part of the consideration is included in accounts receivable and is expected to be received within the next 12 months. The Company recorded a gain on disposition of \$5,600,000, being the difference between the proceeds of \$6,000,000 and the assigned cost base removed from exploration and evaluation assets of \$400,000.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

To determine the cost base of the Clearwater mineral rights, the Company assessed the total fair value of the Clearwater mineral rights and of the 4% non-deduct royalty based on anticipated future cash flows from the applicable wells to determine a pro-rata factor. The pro-rata factor was applied to the total cost base of the jointly held lands of \$5,565,606 to determine the disposed cost base.

7. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2018	December 31, 2017
COSTS		
Balance, beginning of period	\$ 89,271,666	\$ 85,365,030
Change in decommissioning liabilities (note 9)	(145,669)	1,025,439
Acquisitions (note 6)	7,939,657	-
Additions	8,571,151	2,881,197
Disposition (note 6)	(810,000)	-
Balance, end of period	\$ 104,826,805	\$ 89,271,666
ACCUMULATED DEPLETION AND DEPRECIATION		
Balance, beginning of period	\$ (21,025,000)	\$ (15,511,000)
Depletion and depreciation	(4,294,000)	(5,514,000)
Disposition (note 6)	431,000	-
Balance, end of period	\$ (24,888,000)	\$ (21,025,000)
Net book value, end of period	\$ 79,938,805	\$ 68,246,666

8. BANK DEBT

During the three months ended September 30, 2018, the Company entered into a new demand revolving credit facility agreement for a maximum available of \$36,000,000. The credit facility was increased to \$38,000,000 subsequent to September 30, 2018, upon proof of the successful acquisition and license transfer of the Trout assets being completed (note 6). This agreement amends and restates in its entirety the Company's previous credit facility agreement and amendments. The credit facility can be used for general corporate purposes including capital expenditures and advances may be made by way of direct advances, bankers acceptances, or standby letters of credit/guarantees. The credit facility bears interest at the Bank's prime rate on bankers acceptance discount rates plus an applicable margin of 50bps to 250bps on prime rate loans and 175bps to 375bps on stamping fees related to bankers acceptances, determined by reference to the Company's net debt to cash flow ratio. Interest on the credit facility is due monthly. Total fees to obtain the loan were \$73,500. The credit facility is secured by a \$100,000,000 debenture with a floating charge over all the assets of the Company.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

The Company will be required to maintain a current ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. Current ratio is defined as the ratio of (i) current assets, excluding financial derivatives, plus any undrawn availability under the credit facility to (ii) current liabilities, excluding financial derivatives and any amounts drawn under the credit facility. At September 30, 2018, the Company's current ratio was 1.53:1.0 (December 31, 2017 – 4.98:1.0). The Company will be required to maintain a net debt to cash flow ratio no greater than 4.5:1.0 as at the last day of the fiscal quarter ended June 30, 2018, 3.5:1.0 as at the last day of the fiscal quarter ended September 30, 2018, 3.25:1.0 as at the last day of the fiscal quarter ended December 31, 2018 and 3.0:1.0 as at the last day of the fiscal quarter for each quarter thereafter. At September 30, 2018, the Company's net debt to cash flow ratio is 2.81:1.0. For the purposes of the covenant, net debt is defined by the agreement as working capital deficit plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent two quarters annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses. The Company will also be required to meet certain reporting requirements on a quarterly and annual basis and may not make dividend payments or redeem any outstanding shares in an amount exceeding \$1,350,000 in any fiscal year. The Company is also restricted from entering into notional commodity contracts exceeding three years in term and cannot exceed 60% of gross production volumes (by commodity) for the three month trailing period, at the time the contracts are entered into. The Company's next review is scheduled on or before December 31, 2018 but may be set at an earlier or later date at the discretion of the bank.

9. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites and facilities. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells, facilities and pipelines, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be \$29,542,999 as at September 30, 2018 (December 31, 2017 - \$28,387,999) based on an undiscounted total future liability of \$51,127,000 (December 31, 2017 - \$49,254,000) and discounted using a risk-free rate of 2.30% (December 31, 2017 – 2.26%). The expected timing of decommissioning expenditures extends to 2067.

The following table summarizes changes in the decommissioning liabilities:

	September 30, 2018	December 31, 2017
Balance, beginning of period	\$ 28,387,999	\$ 26,757,000
Change in discount rate	(362,000)	174,600
Change in cash flow estimates	62,331	745,439
Abandonment expenditures	(62,331)	(750,040)
Liabilities acquired in corporate and asset acquisitions (note 6)	1,818,000	855,000
Additions	155,000	-
Dispositions (note 6)	(921,000)	-
Accretion expense	465,000	606,000
Balance, end of period	\$ 29,542,999	\$ 28,387,999

The fair value of certain oil and natural gas properties of the Company is \$nil. Accordingly, the change in discount rate and cash flow estimates related to these properties was recorded as an adjustment to depletion and depreciation expense for the three and nine month periods ending September 30, 2018 of a decrease of \$22,000 and \$35,000, respectively (three and nine month periods ending September 30, 2017 – decrease of \$5,400 and \$100,400, respectively).

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

10. FINANCE INCOME AND EXPENSES, NET

(a) Finance expenses is comprised of the following:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest on bank debt	\$ 156,995	\$ 82,557	\$ 376,080	\$ 397,279
Stamping fees on bank debt	276,884	78,267	707,774	347,185
Financing fees	273,500	40,500	273,500	40,500
Accretion of decommissioning liabilities (note 9)	152,000	148,000	465,000	449,000
Interest income and other	-	(2,800)	(7,898)	(20,777)
Total	\$ 859,379	\$ 346,524	\$ 1,814,456	\$ 1,213,187

11. EARNINGS (LOSS) PER SHARE

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Net income (loss)	Common shares	Net income (loss) per share	Net income (loss)	Common shares	Net income (loss) per share
Income (loss) - basic	\$ 3,542,529	5,538,674	\$ 0.64	\$ (2,705,313)	5,538,674	(0.49)
Dilutive effect of options	-	202,857	-	-	-	-
Income (loss) diluted	\$ 3,542,529	5,741,531	\$ 0.62	\$ (2,705,313)	5,538,674	(0.49)

For the three month period ended September 30, 2018, 131,000 options were anti-dilutive (three month period ended September 30, 2017 – 785,400) and not included in the calculation of diluted earnings (loss) per share.

	Nine months ended September 30, 2018			Nine months ended September 30, 2017		
	Net income (loss)	Common shares	Net income (loss) per share	Net income (loss)	Common shares	Net income (loss) per share
Income (loss) - basic	\$ 1,346,875	5,538,674	\$ 0.24	\$ 1,671,926	5,538,674	0.30
Dilutive effect of options	-	202,857	-	-	304,807	-
Income (loss) diluted	\$ 1,346,875	5,741,531	\$ 0.23	\$ 1,671,926	5,843,481	0.29

For the nine month period ended September 30, 2018, 131,000 options were anti-dilutive (nine month period ended September 30, 2017 – 50,000) and not included in the calculation of diluted earnings (loss) per share.

12. SHARE-BASED PAYMENTS

The Company adopted a stock option plan for officers, directors, employees and consultants for up to 15% of the issued and outstanding common shares at the time of the option grant. Under the plan, the Board of Directors sets the exercise price, expiry date and vesting terms for each option grant.

During the nine month period ended September 30, 2018, the Company granted 81,000 stock options at an exercise price of \$3.50 per option. The options granted vest 1/3 on each of the twelve, twenty-four and thirty-nine month anniversaries from the grant date and have a five-year term.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

A summary of the stock options issued and outstanding as at September 30, 2018 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2017	735,400	\$ 2.29
Granted during the year	50,000	4.00
Options settled during the year	(149,400)	2.28
Outstanding, December 31, 2017	636,000	2.42
Granted during the period	81,000	3.50
Outstanding, September 30, 2018	717,000	\$ 2.54
Exercisable, September 30, 2018	717,000	\$ 2.54

The weighted average remaining contractual term of all outstanding options at September 30, 2018 is 1.8 years.

During the three month period ended September 30, 2018, one shareholder acquired control of the Company via an acquisition of shares from another shareholder. As a result of the transaction, all outstanding stock options, including those that were issued in the three month period ended September 30, 2018, vested immediately.

During the nine month period ended September 30, 2018, the Company recorded stock-based compensation expense of \$229,000 (nine month period ended September 30, 2017 - \$142,000) with a corresponding increase to contributed surplus.

During the three month period ended September 30, 2018, the Company recorded stock-based compensation expense of \$192,000 (three month period ended September 30, 2017 - \$48,000) with a corresponding increase to contributed surplus.

The fair value of the stock options granted during the nine month period ended September 30, 2018 were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 1, 2018	August 20, 2018
Number of options	66,000	15,000
Exercise price (\$/share)	\$ 3.50	\$ 3.50
Stock price on grant date	\$ 3.50	\$ 3.50
Expected life (years)	5.0	5.0
Risk-free interest rate	2.11%	2.18%
Expected volatility	70%	70%
Option fair value (per option)	\$ 2.06	\$ 2.06
Estimated forfeiture rate	0%	0%
Expected dividend yield	0%	0%

Expected volatility was determined based on a comparison to other companies in the business of oil and natural gas exploration, development and production. A forfeiture rate of 0% was used when recording stock-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period. Stock price on date of grant was determined by comparing key multiples on similar sized and commodity focused public entities, with focus on market value to earnings before interest, depreciation, taxes and amortization.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

13. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

Source/(use) of cash	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Accounts receivable	\$ (15,418,609)	\$ 545,186	\$ (27,354,072)	\$ (459,540)
Deposits and prepaid expenses	105,991	438,049	(828,808)	(466,980)
Accounts payable and accrued liabilities	4,794,074	764,839	20,556,483	1,436,854
Changes in non-cash working capital	\$ (10,518,544)	\$ 1,748,074	\$ (7,626,397)	\$ 510,334

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
The above figure relates to:				
Operating activities	\$ (2,950,440)	\$ 1,321,415	\$ (3,480,828)	\$ 1,071,113
Investing activities	(7,568,104)	426,659	(4,145,569)	(560,779)
Changes in non-cash working capital	\$ (10,518,544)	\$ 1,748,074	\$ (7,626,397)	\$ 510,334
Interest paid	\$ 707,379	\$ 201,324	\$ 1,357,354	\$ 784,964
Taxes paid	\$ -	\$ -	\$ -	\$ -

Non-cash transactions:

During the nine months ended September 30, 2018 the Company disposed of equipment with a net book value of \$nil in exchange for a reduction in long-term accounts payable and accrued liabilities of \$100,000.

14. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At September 30, 2018, the Company had the following commitments:

Minimum future payments for operating leases:

	Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Head office lease (base rent)	\$ 237,000	\$ 673,000	\$ -	\$ 910,000

Physical delivery electricity services contract:

	Average monthly contracted kW	Term	Fixed Price
Electricity	572 kW	October 1, 2018 to December 31, 2018	4.559 ¢/kWh

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

(b) Contingencies

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 three environmental pipeline releases at Red Earth, Alberta, all relating to the same segment of pipeline. 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. The Company anticipates that this event is insurable and will be making payments on the majority of remediation work prior to December 31, 2018. There will be ongoing monitoring costs which the Company anticipates paying over the next several years subject to the overview and approval of the provincial regulatory bodies. The Company anticipates the majority of the \$21,900,000 pipeline release related costs will be paid out this year from anticipated insurance proceeds of \$20,400,000 to be received prior to December 31, 2018. In relation to the pipeline release, as at September 30, 2018 the Company has recorded \$20,400,000 of accounts receivable for the anticipated insurance proceeds, \$21,900,000 of accounts payable and accrued liabilities in relation to the estimated costs of the remediation work and \$1,500,000 in operating costs for the remediation work the Company will be responsible for as part of the self-insured portion of the insurance coverage. At September 30, 2018, \$20,400,000 and \$19,745,173 were included in accounts receivable and accounts payable and accrued liabilities, respectively.

15. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. 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 employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- market risk; and
- liquidity risk.

This note presents changes to information about the Company's exposure to each of the above risks. There have been no changes to the Company's objectives, policies and processes for measuring and managing risk since December 31, 2017.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk is as follows:

	September 30,	December 31,
	2018	2017
Cash and cash equivalents	\$ 365,661	\$ -
Accounts receivable ¹	31,226,735	3,987,829
Deposits	134,978	104,848
Acquisition deposit	255,000	710,000
Reclamation deposits	141,300	141,300
Due from related party	-	1,562,105
Total	\$ 32,123,674	\$ 6,506,082

¹ Accounts receivable includes a current portion of \$31,226,735 (December 31, 2017 - \$3,872,663) and a long-term portion of \$nil (December 31, 2017 - \$115,166). The current portion includes estimated proceeds relating to an insurance claim in the amount of \$20,400,000.

Cash and cash equivalents:

Cash and cash equivalents consist of amounts on deposit with Canadian chartered banks and undeposited funds. The Company manages credit exposure of cash and cash equivalents by selecting financial institutions with high credit ratings.

Accounts receivable:

The Company has a balance due from a joint interest partner that is facing financial difficulties. The Company has taken action to recover the amounts that are owed, including, taking revenue in-kind for properties which the joint interest partner has a working interest in, which is agreed to by both parties. Management believes the entire amount due from the joint interest partner will be received.

The Company's accounts receivable are aged as follows:

	September 30,	December 31,
	2018	2017
Current (less than 90 days)	\$ 30,701,800	\$ 3,126,068
Past due (more than 90 days)	524,935	861,761
Total	\$ 31,226,735	\$ 3,987,829

As at September 30, 2018, management believes all receivables net of allowance for bad debt will be collected.

Reclamation deposits and other deposits:

Reclamation deposits consist of amounts on deposit with the Provinces of Alberta, Saskatchewan and British Columbia. The Company believes the credit risk associated with these deposits and other deposits is minimal.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

Commodity contracts:

The Company manages the credit risk exposure related to commodity contracts by selecting investment grade counterparties and by not entering into contracts for trading or speculative purposes. At September 30, 2018, the counterparty was the Company's lending institution, which is a financial institution with a strong credit rating.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return. There have been no changes to the Company's policies for managing foreign currency risk, interest rate risk and commodity price risk since December 31, 2017.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its credit facility, which bears a floating rate of interest. At September 30, 2018 the total amount drawn on the credit facility was under a bankers' acceptance ("BA") which is at a fixed rate basis, therefore not subject to interest rate risk until renewal of the BA's.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also North American and global economic events that dictate the levels of supply and demand. The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company currently has the following commodity contracts outstanding at September 30, 2018.

CAD Swaps:

Product	Notional Volume	Term	Fixed Price (CAD/bbl)	Index
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 76.10	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2018 to December 31, 2018	\$ 85.50	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2018 to December 31, 2018	\$ 85.85	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2019 to December 31, 2019	\$ 89.09	WTI - NYMEX

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)

(unaudited)

USD Swaps:

Product	Notional Volume	Term	Fixed Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.85	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 57.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.25	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 57.00	WTI - NYMEX

CAD Collars:

Product	Notional Volume	Term	Collar Cap (CAD/bbl)	Collar floor (CAD/bbl)	Index
Crude Oil	50bbls/day	July 1, 2019 to September 30, 2019	\$ 87.50	\$ 70.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to December 31, 2019	\$ 85.50	\$ 70.00	WTI - NYMEX
Crude Oil	50bbls/day	July 1, 2019 to December 31, 2019	\$ 91.80	\$ 70.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 88.40	\$ 70.00	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2019 to December 31, 2019	\$ 91.75	\$ 70.00	WTI - NYMEX

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	250bbls/day	October 1, 2018 to December 31, 2018	\$ 60.10	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	October 1, 2018 to December 31, 2018	\$ 60.15	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 55.20	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 55.05	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 55.65	\$ 47.50	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 60.32	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 66.00	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 63.10	\$ 55.00	WTI - NYMEX

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	200bbls/day	April 1, 2018 to December 31, 2018	\$ (4.75)	Edmonton Light vs. WTI - NYMEX

Subsequent to September 30, 2019, the Company entered into the following commodity contracts:

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	50bbls/day	January 1, 2019 to December 31, 2019	\$ (13.50)	Edmonton Light vs. WTI - NYMEX

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

The commodity contracts had a total fair value at September 30, 2018 of a liability of \$2,482,000 (December 31, 2017 – liability of \$623,000). The corresponding unrealized gain (loss) for the three month and nine month periods ended September 30, 2018 were \$305,000 and \$(1,859,000), respectively (three and nine months ended September 30, 2017 – \$(817,000) and \$1,353,000) and is included in the statement of income (loss) and comprehensive income (loss). Total realized losses for the three month and nine month periods ended September 30, 2018 were \$817,395 and \$1,461,337, respectively (three and nine months ended September 30, 2017 – gains of \$162,904 and \$1,620,715) and are also included in the statement of income (loss) and comprehensive income (loss).

For the nine month period ended September 30, 2018, a \$0.10/bbl increase in oil prices would have a negative impact on net income of \$186,000. A \$0.10/bbl decrease in oil prices would have a positive impact on net income of \$187,000.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The Company's non-derivative financial liabilities consist of bank overdraft, accounts payable and accrued liabilities and bank debt, and are due within a year other than \$1,482,453 of long term accounts payable. The long term accounts payable relates to a balance that will be paid to a joint venture partner as part of a capital pooling agreement between the Company and its joint venture partner. The balance will primarily be repaid through revenues generated by a well the Company and its joint venture partner drilled in 2018. There have been no changes to the Company's policies for managing liquidity risk since December 31, 2017.

At September 30, 2018, the Company had negative working capital (defined as current assets less current liabilities) of \$25,204,454, and positive working capital of \$9,160,546 excluding bank debt and commodity contracts. In addition, the Company is required to make certain minimum payments under other commitments (note 14). The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows. The Company also has a credit facility (note 8) to facilitate the management of liquidity risk. At September 30, 2018, \$3,250,000 was available under the credit facility, however, subsequent to September 30, 2018 the Company's credit facility was increased from \$36,000,000 to \$38,000,000. The Company's credit facility is a demand loan and as such the bank could demand repayment at any time. Management is not aware of any indications that the bank would demand repayment in the next 12 months.

At September 30, 2018, the Company was in compliance with all covenants related to the credit facility (note 8). The Company may need to conduct equity issues or issue debt if liquidity risks increase in a given period. Liquidity risks may increase as a result of a change in the amounts settled monthly from the commodity contract (note 15(b)), among other items. The Company believes it has sufficient funds to meet foreseeable obligations by actively monitoring its credit facilities through use of the revolving debt, coordinating payment and revenue cycles each month, and an active commodity hedge program to mitigate commodity price risk and secure cash flows.

In relation to the remediation work described in note 14(b) the Company has estimated its full exposure for the three separate pipeline releases to be \$1,500,000, being the self insured portion of \$500,000 in relation to each pipeline release. The Company expects to pay these expenses through operational cash flows and the Company's credit facility.

16. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- To maximize shareholder return through enhancing share value.

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

The Company considers its capital structure to be shareholders' equity and related party or third party financing. The Company makes adjustments by monitoring economic conditions, investment opportunities, debt levels, operating costs and investment opportunities. Adjustments may include a combination of: (1) issue share new shares through a private offering; (2) issue fixed or floating rate debt; (3) enter into joint arrangements with third parties. The Company is currently subject to externally imposed capital requirements related to its credit facility (note 8).

The Company monitors capital based on two financial ratios: adjusted working capital and net debt to cash flow ratio.

Adjusted working capital is defined as current assets less current liabilities (excluding bank loan and commodity contracts).

Adjusted working capital

	September 30, 2018	December 31, 2017
Current assets	\$ 32,608,893	\$ 5,600,998
Current liabilities	(23,448,347)	(3,251,415)
Adjusted working capital surplus	\$ 9,160,546	\$ 2,349,583

Overall adjusted working capital is positive for the three and nine month periods ended September 30, 2018. This is mainly due to improved commodity prices resulting in increased petroleum and natural gas revenues and the proceeds from the Clearwater royalty disposition. The Company expects the cash flows from the capital program deployed during the nine months ended September 30, 2018 will enable the Company to continue having positive working capital balance.

The net debt to cash flow ratio represents the time period it would take to pay off the net debt if no further capital expenditures were incurred and if funds flow from operating activities remained constant. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital (excluding fair value of commodity contracts) divided by cash flows from operating activities before changes in non-cash working capital ("funds flow from operating activities"), normalized for extraordinary and nonrecurring earnings, gains, and losses on a trailing six months basis annualized.

Net debt to cash flow ratio

The following table summarizes the Company's net debt to cash flow ratio calculation:

	September 30, 2018	June 30, 2018
Bank debt	\$ (32,000,000)	\$ (25,000,000)
Adjusted working capital surplus (deficit)	9,160,546	(1,740,918)
Net debt	\$ (22,839,454)	\$ (26,740,918)

The decrease in net debt from June 30, 2018 was mainly a result of higher commodity prices and income generated by the Wabasca river pipeline acquisitions and the proceeds on the Clearwater royalty disposition (note 6).

Highwood Oil Company Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2018

(amounts in Canadian dollars)
(unaudited)

	Six months ended September 30, 2018	Six months ended June 30, 2018
Funds flow from operating activities	\$ 4,058,440	\$ 3,924,346
Annualized	\$ 8,116,880	\$ 7,848,692
Net debt to cash flow ratio	2.81 to 1.0	3.41 to 1.0

The Company's strategy is to monitor the ratio and the ratio can, and will, fluctuate based on the timing of commodity prices and the mix of exploratory and development drilling.

17. RELATED PARTY TRANSACTIONS

Except as discussed elsewhere, the Company had the following transactions with related parties:

- During the three and nine month periods ended September 30, 2018, the Company incurred charges of \$59,368 and \$80,460, respectively (three and nine months ended September 30, 2017 - incurred charges of \$202,725 and \$354,708, respectively) to a company with common officers and directors for management fees, office space, subscriptions and supplies which was recorded as a increase or reduction to general and administrative expense and was charged \$242,859 and \$320,890, respectively (three and nine months ended September 30, 2017 - \$27,533 and \$404,664, respectively) for net non-operated gas sales, butane purchases and gas processing fees which is included in operating and transportation expense. During the three and nine month periods ended September 30, 2018, the Company was also charged \$92,173 and \$794,136, respectively (three and nine months ended September 30, 2017 - \$155,998 and \$765,186, respectively) for propane purchases and distribution from this company which is included in operating and transportation expenses on the statement of income (loss) and comprehensive income (loss). As at September 30, 2018, \$12,388 (2017 - \$5,768) is included within accounts receivable and \$232,857 (2017 - \$127,824) is included within accounts payable and accrued liabilities with respect to these charges.
- During the nine month period ended September 30, 2018, the Company loaned a company with common officers and directors \$400,000. The amount bears interest at 5.00% per annum, accrued monthly, with interest payments due on or before maturity of the loan, March 31, 2018. Under the terms on the Company's revolving operating demand loan, the bank provided consent to the Company for the loan contingent on the amount being repaid on or before March 31, 2018. The maturity of the loan was subsequently extended to May 31, 2018. During the nine month period ended September 30, 2018, the loan and interest of \$7,898 was repaid in full.
- During the nine month period ended September 30, 2018, the Company purchased undeveloped lands from a company with common officers and directors for total consideration of \$650,990. Consideration was comprised of cash consideration of \$500,000 and settlement of \$150,990 of receivables from the related party.
- During the nine month period ended September 30, 2018, the Company posted a \$750,000 irrevocable standbyby letter of credit in favour of a company with common a director. The letter of credit was approved by the Company's bank as required under the terms of the Company's credit facility. The letter of credit will accrue interest at a rate of 30% per annum, due two business days following the date upon which the letter of credit is returned. Subsequent to September 30, 2018, the letter of credit was returned to the Company and cancelled.

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Company closed a purchase and sale agreement with a private company to acquire 25.491% working interest in the Wabasca river pipeline system for total cash consideration of \$2,550,000. The acquisition brings the Company's total working interest in the Wabasca river pipeline system to 100%. The purchase price for these assets was subject to customary closing adjustments between the effective date of the sale of August 1, 2018 and the closing date. This transaction was not subject to any rights of first refusal. The Company funded the cash consideration with the corresponding increase in its bank debt (note 8).

Highwood Oil Company Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018

(amounts in Canadian dollars)

(unaudited)

Subsequent to September 30, 2018, the Company repurchased and cancelled 100,000 common shares for cash consideration of \$500,000.

Subsequent to September 30, 2018, the Company reached an agreement with all option shareholders, whereby, all current options would be cancelled and option holders would receive cash and replacement options. As a result, the Company paid cash consideration of \$203,150 and issued 305,530 replacement options. The replacement options vested immediately with an exercise price of \$0.01 and expired thirty days after the date of the agreements. All option holders exercised the replacement options resulting in 305,530 common shares being issued from treasury.

Subsequent to September 30, 2018, the Company entered into a letter of intent with a public company, whereby the companies will combine through a share purchase, amalgamation, or similar transaction. The public company is a capital pool company and the transaction will be considered a qualifying transaction for the public company. The public company will receive common shares of the Company at a ratio of 53:1, resulting in 188,679 common shares of the Company being issued to shareholders of the public company. After the transaction, the Company anticipates having 5,932,883 common shares issued at a deemed value of \$9.00 per share.

Highwood Oil Company Ltd. – Financial and Operating Highlights

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Financial				
Oil and natural gas sales	\$ 7,336,814	\$ 5,119,852	\$ 21,826,363	\$ 22,012,786
Transportation pipeline revenues	975,964	-	2,640,085	-
Total revenues, net of royalties ⁽¹⁾	6,870,212	3,912,330	18,876,913	23,159,022
Income (loss)	3,542,529	(2,705,313)	1,346,875	1,671,926
Capital expenditures	2,118,155	2,456,303	18,769,785	31,782,357
Proceeds from dispositions ⁽⁷⁾	6,141,091	3,551,105	6,141,091	31,924,186
Working capital deficit (end of period) ⁽²⁾			25,204,454	11,318,072
Shareholders' equity (end of period)			\$ 28,439,396	\$ 28,862,549
Shares outstanding (end of period)			5,538,674	5,538,674
Options outstanding (end of period)			717,000	785,400
Weighted-average basic shares outstanding	5,538,674	5,538,674	5,538,674	5,538,674
Operations ⁽³⁾				
Production				
Natural gas (Mcf/d)	16	89	36	3,194
Natural gas liquids (NGL) (bbls/d)	0	2	0	215
Crude oil (bbls/d)	1,033	1,125	1,120	1,226
Total (boe/d)	1,036	1,142	1,127	1,973
Benchmark prices				
Natural gas				
AECO (Cdn\$/GJ) ⁽⁶⁾	\$ 1.45	\$ 1.25	\$ 1.44	\$ 2.56
Crude oil				
Canadian Light (Cdn\$/bbl)	76.75	50.21	70.81	54.46
Average realized prices ⁽⁴⁾				
Natural gas (per Mcf) ⁽⁶⁾	1.33	1.29	1.27	2.87
NGL (per bbl) ⁽⁶⁾	82.25	31.36	71.14	27.32
Crude oil (per bbl)	77.15	49.31	71.29	53.51
Operating netback (per boe) ⁽⁵⁾	11.10	5.83	10.61	11.25

⁽¹⁾ Includes gain and losses on commodity contracts

⁽²⁾ Working capital deficit includes commodity contract liability of \$2,365,000 (September 30, 2017 – commodity contract asset of \$147,000). Excluding this, the working capital deficit would be \$22,839,454 (September 30, 2017 – \$11,465,072). Working capital deficit also includes revolving operating demand loan of \$32,000,000 (September 30, 2017 - \$16,000,000).

⁽³⁾ For a description of the boe conversion ratio, see “Basis of Barrel of Oil Equivalent”.

⁽⁴⁾ Before hedging.

⁽⁵⁾ See “Non-GAAP measures”.

⁽⁶⁾ For 2018, natural gas and NGL production and revenues are immaterial to the Company

⁽⁷⁾ Includes \$3,487,981 in proceeds on disposal of investment for the three and nine months ended September 30, 2017

2018 Corporate Highlights

- Achieved average production of 1,127 boe per day for the nine months and 1,036 boe per day for the three months ended September 30, 2018, 99-100 percent oil production. The average production in 2017 for the nine months was higher due to production from the West Central assets the Company acquired on January 31, 2017 and disposed of in April 2018. The average production for the Company's core Red Earth area have remained consistent. Production was down slightly in the three months ended September 30, 2018 as a result of a pipeline release that occurred over June and July 2018 in the Remote Panny field of Red Earth.
- Generated viable operating netbacks in a challenging differentials market of \$10.61/boe for the nine months and \$11.10/boe for the three-month period, compared to \$5.83/boe in the third quarter of 2017. Compared to the 2017 nine-month period, the operating netback for the 2018 nine-month period was fairly consistent. The operating netbacks include the self-insured portion of the pipeline release that occurred over June and July 2018 of \$1,500,000 for the nine months and \$1,000,000 for the three months ended September 30, 2018. Without these costs, operating netbacks would have been \$21.47/boe and \$15.24/boe, respectively.
- Incurred operating costs of \$53.34 per boe (\$37.74 normalized operating costs per boe, *see Operating and Transportation Expense section for additional detail*) in the third quarter of 2018 and \$48.64 per boe (\$36.56 normalized operating costs per boe) in the full nine months of 2018. Increase from the comparative period is due to the production mix that was impacted by the West Central assets in 2017 for the nine-month period. For the nine-month period ended September 30, 2017 only 62% of production was oil weighted compared to 99% in 2018. Operating costs for oil per boe is significantly higher than gas and NGLs. Increase for the three-month period is mainly due to the temporary decrease in production as a result of the pipeline release, creating a higher fixed cost per boe. The Company estimates that the operating costs per boe for the third quarter of 2018 would have been approximately \$31.28 if the shut-in production due to the pipeline release did not occur.
- Achieved cash flows from operating activities of \$0.6 million on oil and natural sales of \$21.8 million during the nine-month period ended September 30, 2018. Cash flows for the three-month period ended September 30, 2018 were impacted by the pipeline release that occurred over June and July 2018 as production was shut-in and the Company made cash payments to release-related vendors while awaiting proceeds from the Company's insurance.
- The Company acquired additional lands in the Clearwater area of Alberta during 2018 for approximately \$2.9 million, building on the \$3.3 million the Company added in 2017. The Company has a joint venture partner in the lands, a private company, where each company holds a 50% working interest. The Company began drilling in Clearwater late in the third quarter of 2018 and plans to drill a minimum of 8 wells by March 2020. The Company is confident it will be able to generate the strong return and operating netbacks that other companies are generating in the area. During the nine months ended September 30, 2018, the Company and its joint venture partner entered into an overriding royalty purchase and sale agreement ("royalty agreement") with a private company where the Company sold a 4% non-deduct royalty over the jointly held Clearwater lands to the private company for gross proceeds of \$12,000,000 (\$6,000,000 Company share), subject to a drilling commitment escrow agreement. As a condition of the royalty divestiture, the parties must drill a minimum of eight wells in the formation prior to March 31, 2020. Upon rig release of each well, \$1,500,000 of the gross proceeds will be released from escrow. Should total drill, completion and equipping costs be less than \$1,500,000 per well, the

parties will be required to drill additional wells prior to September 30, 2020 in order to recoup the remaining funds.

- During 2018 the Company acquired interests in two transportation sales pipelines, the Wabasca River pipeline system and the North Senex pipeline system. The first transaction closed on January 15, 2018, where the Company acquired a 64.441% working interest in the Wabasca River pipeline system and an 87.5% working interest in the North Senex pipeline system for net consideration of \$4,395,170. The second transaction closed on April 30, 2018, where the Company acquired an additional 10.068% working interest in the Wabasca River pipeline system for net consideration of \$625,987. Subsequent to September 30, 2018, the Company acquired the remaining 25.491% working interest in the Wabasca River pipeline system for gross consideration of \$2,550,000. The Company acquired the transportation pipelines for the purpose of producing operating cash flows. In the nine months ended September 30, 2018, the Company generated net operating income related to the pipelines of approximately \$2.2 million, including approximately \$1 million during the three-month period ended September 30, 2018.

Management's Discussion and Analysis

This management's discussion and analysis (MD&A) of operating and financial results of Highwood Oil Company Ltd. ("Highwood" or the "Company") is dated December 20, 2018 and is based on currently available information. It should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016, and the unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2018. Unless otherwise noted, all financial information is presented in Canadian dollars, and is in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee as set out in Part 1 of the Chartered Professional Accountants Canada Handbook – Accounting.

Effective October 29, 2018, the Company changed its name from Predator Oil Ltd. to Highwood Oil Company Ltd.

Refer to the end of the MD&A for commonly used abbreviations.

Readers should read "Forward-Looking Statements" at the end of the MD&A, which explains the basis for and limitations of statements throughout this report that are not historical facts and may be considered "forward-looking statements" under securities regulations.

Description of Business

The Company is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in Western Canada. The Company's focus is to generate and develop its own prospects, acquire oil and natural gas properties directly and/or through farm-in, and participate with joint ventures and other industry partners in oil and natural gas exploration and development in Alberta.

Financial and Operating Results

Production

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Daily average volume				
Natural gas (<i>Mcf/d</i>)	16	89	36	3,194
NGL (<i>bbls/d</i>)	0	2	0	215
Crude oil (<i>bbls/d</i>)	1,033	1,125	1,120	1,226
Total sales (<i>boe/d</i>)	1,036	1,142	1,127	1,973
Total sales (<i>boe</i>)	95,324	105,036	307,628	538,719

Production weighting

Natural gas	0%	1%	1%	27%
NGL	0%	0%	0%	11%
Crude oil	100%	99%	99%	62%
	100%	100%	100%	100%

Production was lower in nine months ended September 30, 2018 compared to the prior period, mainly due to the production that was realized from the West Central assets. Production on the Company's remaining core producing area in Red Earth declined slightly compared to the prior period. The Company drilled 2 wells (1.5 net) during 2018, which along with other capital work performed offset the natural

production declines. Production declines are mainly due to natural production declines and shut-in production. However, due to the pipeline release that occurred in June 2018, the Company shut-in production in the Remote Panny area of its Red Earth CGU which resulted in about 150-200 boe/day less production for the three month period ended September 30, 2018. The majority of natural gas and NGL production during 2017 came from the West Central assets that were acquired and disposed during the nine month period ended September 30, 2017.

Sales

Oil and natural gas sales

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Natural gas	2,007	10,569	12,314	2,499,040
NGL	1,708	5,794	9,473	1,605,040
Crude oil	7,333,099	5,103,489	21,804,576	17,908,706
Total	7,336,814	5,119,852	21,826,363	22,012,785

Average realized prices before hedging

Natural gas (\$/Mcf)	1.33	1.29	1.27	2.87
NGL (\$/bbl)	82.25	31.36	71.14	27.32
Crude oil (\$/bbl)	77.15	49.31	71.29	53.51
Combined average (\$/boe)	76.97	48.74	70.95	40.86

The Company realized improved oil prices during 2018 resulting in an increase in oil revenues from comparative periods. The Company also managed to offset production declines through capital activity which resulted in oil revenues for the three month period ended September 30, 2018 which increase approximately \$2.2 million from the comparative period.

Natural gas and NGL revenue are immaterial for the Company in 2018. The revenues for natural gas and NGL's in the comparative period primarily relate to the West Central assets that were acquired and disposed of during the nine months ended September 30, 2017.

Over the short term, the Company anticipates continued elevated price volatility. With respect to oil prices, a significant factor is the unknown impact of renewed drilling activities for shale oil wells in the United States, transportation constraints in Alberta, as well as global inventory levels. The Company anticipates that there will be continued price volatility for at least the next several quarters as various dynamics play out.

The Company's realized prices were consistent with the changes in the benchmark prices.

Transportation pipeline revenues

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Total	975,964	-	2,640,085	-

Transportation pipeline revenues relate to the Wabasca River pipeline system that the Company acquired during 2018. Revenues are generated from a tariff charged to vendors who transport product on the pipeline.

Royalties

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Royalties	1,194,395	470,568	3,598,546	2,446,455
Per boe	12.53	4.48	11.70	4.54
Percentage of oil and natural gas sales	16.3%	9.2%	16.5%	11.1%

Highwood's royalty burden includes crown, gross over-riding and freehold royalties applicable on the Company's production sales.

The royalty rate as a percentage of sales was higher in 2018 than in 2017 due to increased commodity reference pricing used by the Alberta government to calculate royalties. The percentage of sales amount is also higher compared to the 2017 due to the change in production mix for the Company where 99% of production relates to oil in 2018, compared to just 62% for the nine month comparative period.

Operating and Transportation Expense

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating and transportation	5,084,434	4,037,019	14,963,381	13,507,208
Per boe	53.34	38.43	48.64	25.07

Operating and transportation expenses increased on a per boe basis mainly due one time costs that were incurred in 2018, such as the self-insured portion of the pipeline release, significant workover program being conducted and the impact of the West Central assets on the comparative period. Included in operating costs is the self-insured portion of the pipeline releases of \$1,000,000 for the three month period and \$1,500,000 for the nine month period ended September 30, 2018. Operating costs per boe are generally lower for gas and NGL production than compared to oil weighted production. With the Company's production mix being primarily oil in 2018, this would lead to an increase in the per boe amount. There was also approximately \$1.5 million spent on workovers in 2018 compared to approximately \$500,000 for the comparative nine-month period. This resulted in additional operating costs while production was shut in for the work to be performed. The work was done in order to bring additional production online. Operating and transportation costs on a per boe basis was also impacted by shut-in production in Remote Panny, which resulted in a decline in production of approximately 20%. Operating and transportation expense also includes expenditures related to the Company's non-producing Clearwater lands and expenditures related to the Wabasca River Pipeline System. The Clearwater lands and Wabasca River Pipeline System do not provide any production which increases the costs per boe. Management continues to look at production and operating costs to identify additional efficiencies.

The table below shows the normalized operating and transportation expense per boe (see *Non-GAAP measures for definition*) for the past eight quarters:

	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2017
Total operating and transportation per boe	\$ 53.34	\$ 37.41	\$ 57.09	\$ 30.23	\$ 38.43	\$ 25.67	\$ 19.15	\$ 26.26
Normalizing items per boe								
Wabasca River Pipeline System	(1.40)	(2.00)	(1.46)	-	-	-	-	-
Turnarounds	(1.60)	-	-	(0.30)	(3.18)	-	-	-
Workovers	(1.47)	(1.47)	(11.78)	(2.55)	(0.74)	(0.87)	(1.16)	(3.32)
Undeveloped Clearwater lands	(0.64)	(0.14)	(0.17)	-	(0.64)	-	-	-
Pipeline release	(10.49)	(4.39)	-	-	-	-	-	-
Normalized operating and transportation per boe	37.74	29.41	43.68	27.38	33.88	24.81	17.99	22.94

The Company estimates that the operating costs per boe for the third quarter of 2018 would have been approximately \$31.28 considering the fixed costs incurred on shut-in production.

Risk Management

Highwood's cash flow is highly variable, in large part because oil and natural gas are commodities whose prices are determined by worldwide and/or regional supply and demand, transportation constraints, weather conditions, availability of alternative energy sources and other factors, all of which are beyond Highwood's control. World prices for oil and natural gas have fluctuated widely in recent nine months.

Oil prices have been slightly improving since the beginning of 2016 and continued this trend in 2018 with average benchmark prices increasing from \$54.46 in 2017 to \$70.81 in 2018. Although crude oil prices in Alberta are currently being negatively impacted by transportation constraints resulting in oil being sold at significant discounts.

Management of cash flow variability is an integral component of the Company's business strategy. Business conditions are monitored regularly and reviewed with the Board of Directors to establish risk management guidelines used by management in carrying out the Company's strategic risk management program.

The Company has elected not to use hedge accounting and, accordingly, the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the income for that period. As a result, income may fluctuate considerably.

At September 30, 2018, Highwood had the following commodity contracts, with a total mark-to-market liability of \$2,482,000.

CAD Swaps:

Product	Notional Volume	Term	Fixed Price (CAD/bbl)	Index
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 76.10	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2018 to December 31, 2018	\$ 85.50	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2018 to December 31, 2018	\$ 85.85	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2019 to December 31, 2019	\$ 89.09	WTI - NYMEX

USD Swaps:

Product	Notional Volume	Term	Fixed Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.85	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 57.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.25	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 57.00	WTI - NYMEX

CAD Collars:

Product	Notional Volume	Term	Collar Cap (CAD/bbl)	Collar floor (CAD/bbl)	Index
Crude Oil	50bbls/day	July 1, 2019 to September 30, 2019	\$ 87.50	\$ 70.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to December 31, 2019	\$ 85.50	\$ 70.00	WTI - NYMEX
Crude Oil	50bbls/day	July 1, 2019 to December 31, 2019	\$ 91.80	\$ 70.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 88.40	\$ 70.00	WTI - NYMEX
Crude Oil	50bbls/day	October 1, 2019 to December 31, 2019	\$ 91.75	\$ 70.00	WTI - NYMEX

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	250bbls/day	October 1, 2018 to December 31, 2018	\$ 60.10	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	October 1, 2018 to December 31, 2018	\$ 60.15	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 55.20	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 55.05	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 55.65	\$ 47.50	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 60.32	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 66.00	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 63.10	\$ 55.00	WTI - NYMEX

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	200bbls/day	April 1, 2018 to December 31, 2018	\$ (4.75)	Edmonton Light vs. WTI - NYMEX

Subsequent to September 30, 2019, the Company entered into the following commodity contracts:

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	50bbls/day	January 1, 2019 to December 31, 2019	\$ (13.50)	Edmonton Light vs. WTI - NYMEX

Commodity contracts are considered financial instruments, and the resulting derivative financial asset or liability was recorded on the Company's balance sheet, with the unrealized gain or loss being recorded on the statement of loss and comprehensive loss.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Realized gain (loss) on commodity contracts	(817,395)	162,904	(1,461,337)	1,620,715
Unrealized gain (loss) on commodity contracts	305,000	(817,000)	(1,859,000)	1,353,000

The realized loss on commodity contracts during the three and nine months ended September 30, 2018 was due to oil commodity prices being higher than the contract price. The unrealized loss for the nine month period ended September 30, 2018 was a result of increased oil 2018 and future strip prices during the period. The unrealized gain for the three month period ended September 30, 2018 was a result of decreased oil 2018 and future strip prices compared to the prior period.

General and Administrative (G&A)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
G&A	720,058	668,676	1,909,603	2,271,305
G&A expense per boe	7.55	6.37	6.21	4.22

G&A expenses decreased for the nine month period ended September 30, 2018 compared to the prior periods mainly due to a decrease in staff as a result of the disposition of the West Central assets in the second quarter of 2017. G&A expense per boe is higher for the three month period ended September 30, 2018 compared to 2017 mainly due to an increase in office rent and insurance expense. The nine month period per boe for 2018 is higher than 2017 mainly due to economies of scale. There was significantly higher production during 2017 from the West Central assets resulting in a low G&A per boe relating to fixed costs such as rent.

Stock-Based Compensation

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Stock-based compensation	192,000	48,000	229,000	142,000

In August of 2018, one shareholder acquired control of the Company via an acquisition of shares from another shareholder. As a result of the transaction, all outstanding stock options were deemed to have fully vested, resulting in the increased stock-based compensation for 2018.

The Company granted 81,000 stock options to purchase common shares during the nine months ended September 30, 2018. There were 717,000 options outstanding at September 30, 2018.

Exploration and Evaluation (E&E) Expenditures

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
E&E expense	-	180,000	-	206,000

All E&E expenditures are non-cash mineral rights expiries relate to mineral rights voluntarily relinquished by the Company as a result of low commodity prices.

On September 28, 2018, the Company, along with its joint venture partner in the Clearwater area, disposed of a 4% non-deduct royalty over the jointly held Clearwater mineral rights for gross proceeds of \$12,000,000. As a condition of the royalty divestiture, the parties must drill a minimum of eight wells in the formation prior to March 31, 2020. The gross proceeds of \$12,000,000 will be held in escrow with the legal council of the purchaser. Upon rig release of an applicable well, \$1,500,000 gross, will be released from the escrow account to the Company. Should total drill, completion and equipping costs be less than \$1,500,000 gross per well, the Company and its joint venture partner will be required to drill additional wells prior to September 30, 2020 or reimburse funds to the purchaser.

At September 30, 2018, the \$6,000,000 the Company will receive as part of the consideration is included in accounts receivable and is expected to be received within the next 12 months. The Company recorded a gain on disposition of \$5,600,000, the difference between the proceeds of \$6,000,000 and the assigned cost base removed from exploration and evaluation assets of \$400,000.

To determine the cost base of the disposal, the Company assessed the total fair value of the assets and of the 4% non-deduct royalty based on anticipated future cash flows from the applicable wells to determine a pro-rata factor. The pro-rata factor was applied to the total cost base of the jointly held lands of \$5,565,606 to determine the disposed cost base.

Depletion and Depreciation (D&D)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
D&D	1,273,000	1,325,600	4,259,000	4,017,600
Per boe	13.35	12.62	13.84	7.46

D&D is consistent for the three month period ended September 30, 2018 compared to 2017. While the Company's asset base increased in 2018, production was down in the third quarter resulting in a lower depletion. The increase in D&D per boe from 2017 to 2018 for the nine month period is due to the impact of the production from the West Central assets. As these assets were classified as assets held for sale, they were not depleted while the Company owned and operated the assets during 2017.

Finance Income and Expenses, Net

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest on bank debt	156,995	82,557	376,080	397,279
Stamping fees on bank debt	276,884	78,267	707,774	347,185
Financing fees	273,500	40,500	273,500	40,500
Interest and other income	-	(2,800)	(7,898)	(20,777)
Cash finance income and expenses	707,379	198,524	1,349,456	791,687
Accretion of decommissioning liabilities	152,000	148,000	465,000	449,000
Non-cash finance expense	152,000	148,000	465,000	449,000
Total finance income and expenses	859,379	346,524	1,814,456	1,213,187

Interest on bank debt and stamping fees relates to interest and fees paid to Highwood's bankers to service the bank debt and bank overdraft. Interest on bank debt and stamping fees increased in the three and nine month periods ended September 30, 2018 compared to 2017 due to increased borrowing to fund capital program and acquisitions the Company deployed in 2018. For the nine months ended September 30, 2018 the Company had increased borrowings using bankers acceptances, resulting in increased stamping fees compared to 2017. Interest rates are based on the Company's most recent quarter net debt to cash flow ratio. net debt is defined by the agreement as working capital deficit plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent quarter annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses.

Deferred Income Tax

Deferred income tax was an expense of \$1,451,000 and \$646,000, respectively, for the three months and nine months ended September 30, 2018, compared to a recovery of \$166,000 and an expense of \$461,000 in the respective comparative periods in 2017.

Income (Loss)

The Company generated income of \$3,542,529 and \$1,345,875, respectively, for the three months and nine months ended September 30, 2018, compared to a loss of \$2,705,313 and income of \$1,671,926 for the respective comparative periods in 2017. For the three month period ended September 30, 2018, the Company improved income from the comparative period due mainly due to an increase in realized commodity prices along with the gain realized on the Clearwater royalty disposition.

Supplemental Information

The following tables summarize key financial and operating information for the periods indicated:

Cash Flows from Operating Activities

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Income (loss)	3,542,529	(2,750,313)	1,346,875	1,671,926
Non-cash items:				
Unrealized (gain) loss on commodity contracts	(305,000)	817,000	1,859,000	(1,353,000)
E&E	-	180,000	-	206,000
D&D	1,273,000	1,325,600	4,259,000	4,017,600
Bargain purchase gain	-	(51,613)	-	(2,686,751)
Unrealized gain on investment	-	(1,785,467)	-	-
Realized loss on investment	-	2,013,750	-	2,073,750
Gain on disposal of assets	(6,266,965)	-	(6,366,965)	-
Finance expense	152,000	148,000	465,000	449,000
Deferred income tax expense (recovery)	1,451,000	(166,000)	646,000	461,000
Stock-based compensation	192,000	48,000	229,000	142,000
Cash abandonment expenditures	(62,331)	(146,985)	(62,331)	(741,064)
Change in long-term accounts receivable	49,100	38,672	115,166	84,931
Change in long-term accounts payable and accrued liabilities	(40,764)	-	1,582,453	-
Change in non-cash working capital	(2,950,439)	1,321,415	(3,480,828)	1,071,113
Funds flow from operations	(2,965,871)	1,037,059	592,370	5,336,505

Netback Analysis

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$/boe	\$/boe	\$/boe	\$/boe
Average sales price	76.97	48.74	70.95	40.86
Royalties	(12.53)	(4.48)	(11.70)	(4.54)
Operating and transportation	(53.34)	(38.43)	(48.64)	(25.07)
Operating netback	11.10	5.83	10.61	11.25

Selected Quarterly Information

Three months ended	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Financial								
(\$000s, except per share amounts and share numbers)								
Oil and natural gas sales	7,337	8,059	6,430	6,277	5,120	7,313	9,580	6,614
Transportation pipeline revenues	976	1,083	581	-	-	-	-	-
Income (loss)	3,543	(412)	(1,784)	(1,073)	(2,705)	232	4,145	(531)
Capital expenditures	2,118	2,127	14,525	4,658	2,456	(1,066)	30,392	500
Total assets (<i>end of quarter</i>)	122,308	105,427	103,376	79,807	79,443	86,185	133,098	79,409
Working capital deficit, excluding commodity contracts (<i>end of quarter</i>)	25,204	26,741	27,349	14,050	18,768	10,114	11,295	17,427
Shareholders' equity (<i>end of quarter</i>)	28,439	24,705	26,618	26,864	28,863	31,520	31,240	27,049
Weighted-average basic shares outstanding (<i>000s</i>)	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539
Operations								
Production								
Natural gas (<i>Mcf/d</i>)	16	52	38	73	91	3,358	6,202	112
NGL (<i>bbls/d</i>)	0	1	0	1	2	238	410	-
Crude oil (<i>bbls/d</i>)	1,033	1,242	1,087	1,111	1,128	1,166	1,389	1,324
Total (<i>boe/d</i>)	1,036	1,252	1,094	1,124	1,145	1,964	2,833	1,343
Average realized prices (\$)								
Natural gas (<i>per Mcf</i>)	1.33	0.54	1.67	1.30	1.29	2.93	2.86	2.95
NGL (<i>per bbl</i>)	82.25	66.85	65.49	43.79	31.95	26.56	27.32	-
Crude oil (<i>per bbl</i>)	77.15	71.24	64.59	61.30	49.07	54.66	56.28	54.00

Inherent to the nature of the oil and gas industry, fluctuations in Highwood's quarterly oil and natural gas sales, cash flows from operating activities, and income or loss are primarily caused by variations in production volumes, realized commodity prices and the related impact on royalties, realized and unrealized gains/losses on financial instruments, changes in per-unit expenses, and deferred income taxes. Please refer to the Financial and Operating Results section above for an explanation of changes.

Capital Expenditures

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Land	138,823	2,317,761	3,431,657	2,850,363
Seismic and other pre-drilling costs	55,738	-	468,749	-
Production equipment and facilities	43,450	143,901	1,293,450	371,505
Drilling and completions	724,904	-	4,878,494	-
Recompletions	23,155	3,130	3,024,193	2,411,304
Acquisitions	1,132,085	(8,489)	5,673,242	26,149,185
	2,118,155	2,456,303	18,769,785	31,782,357

At September 30, 2018, the Company had E&E assets of \$9,364,197 (December 31, 2017 – \$4,992,805). This included approximately 296,000 net acres of undeveloped land, of which approximately 115,500 net acres are located in the Company's Clearwater core area the Company began acquiring in September 2017.

At September 30, 2018, the Company had gross property and equipment of \$104,826,805 (December 31, 2017 - \$89,271,666). This included developed land and costs associated with the wells the Company has drilled and acquired to date and the transportation pipelines the Company acquired in 2018. As well, it included \$33,395 incurred since inception to purchase computer hardware and software, associated office furniture and office improvements for use by Highwood employees and consultants.

During 2018, the Company has drilled 2 wells (1.5 net) in its Red Earth core area and plans to drill another 4 wells (2 net) in its Clearwater core area, the first of which was spud on September 29, 2018. As of the date of this MD&A, the Company has drilled 4 wells (2 net) in its Clearwater core area.

The acquisitions in 2018 mainly related to the transportation pipelines.

Share Capital and Option Activity

As at September 30, 2018 the Company had 5,538,674 common shares, and 717,000 stock options outstanding, of which 717,000 are exercisable. During 2018, 81,000 options were issued.

Subsequent to September 30, 2018, the Company repurchased and cancelled 100,000 common shares for cash consideration of \$500,000.

Subsequent to September 30, 2018, the Company reached an agreement with all option shareholders, whereby, all current options would be cancelled and option holders would receive cash and replacement options. As a result, the Company paid cash consideration of \$203,150 and issued 305,530 replacement options. The replacement options vested immediately with an exercise price of \$0.01 and expired thirty days after the date of the agreements. All option holders exercised the replacement options resulting in 305,530 common shares being issued from treasury

As at the date of this MD&A, the Company had 5,744,204 common shares, and no stock options outstanding.

Liquidity and Capital Resources

At September 30, 2018, the Company had a working capital deficit, excluding commodity contracts, of \$22,839,454 (December 31, 2017 – \$14,050,417), and working capital surplus of \$9,160,546 (December 31, 2017 – surplus of \$2,349,583) excluding the credit facility and commodity contracts. The increase from December 31, 2017 is mainly due to the proceeds held in escrow of \$6,000,000 relating to the Clearwater royalty disposition included in current accounts receivable.

The Company's credit facility is a demand loan and as such the bank could demand repayment at any time. Management is not aware of any indications that the bank would demand repayment. Should the lender demand repayment, the Company would need to seek alternative sources of debt or equity financing, or sell assets.

The credit facility includes a number of covenants including working capital ratio and net debt to cash flow ratio.

The Company will be required to maintain a current ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. Current ratio is defined as the ratio of (i) current assets, excluding financial derivatives, plus any undrawn availability under the credit facility to (ii) current liabilities, excluding financial derivatives and any amounts drawn under the credit facility. At September 30, 2018, the Company's current ratio was 1.53:1.0 (December 31, 2017 – 4.98:1.0). The Company will be required to maintain a net debt to cash flow ratio no greater than 4.5:1.0 as at the last day of the fiscal quarter ended June 30, 2018, 3.5:1.0 as at the last day of the fiscal quarter ended September 30, 2018, 3.25:1.0 as at the last day of the fiscal quarter ended December 31, 2018 and 3.0:1.0 as at the last day of the fiscal quarter for each quarter thereafter. At September 30, 2018, the Company's net debt to cash flow ratio is 2.81:1.0. For the purposes of the covenant, net debt is defined by the agreement as working capital deficit plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent two quarters annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses. The Company will also be required to meet certain reporting requirements on a quarterly and annual basis and may not make dividend payments or redeem any outstanding shares in an amount exceeding \$1,350,000 in any fiscal year. The Company is also restricted from entering into notional commodity contracts exceeding three years in term and cannot exceed 60% of gross production volumes (by commodity) for the three month trailing period, at the time the contracts are entered into. The Company's next review is scheduled on or before December 31, 2018 but may be set at an earlier or later date at the discretion of the bank.

The Company generally relies on operating cash flows and its credit facility to fund its capital requirements and provide liquidity. Future liquidity depends primarily on funds generated from operations, drawing on existing credit facilities and accessing debt and equity markets.

In relation to the remediation work described in note 13(b) of the financial statements the Company has estimated its full exposure for the three separate pipeline releases to be \$1,500,000, being the self insured portion of \$500,000 in relation to each pipeline release. The Company expects to pay these expenses through operational cash flows and the Company's credit facility.

Off-Balance-Sheet Arrangements

The Company does not have any special-purpose entities nor is it a party to any arrangements that would be excluded from the balance sheet.

Environmental Initiatives Affecting Highwood

In October 2018, the Government of Canada announced a national carbon pricing regime in response to the Paris Agreement ratified by Canada earlier that month. Under the Carbon Strategy, a benchmark carbon pricing program will be applied, pricing carbon emissions at a minimum of \$10 per tonne in 2018, rising by \$10 per tonne each nine months to \$50 per tonne by 2022. The Carbon Strategy also proposes a federal backstop in the event that jurisdictions fail to meet the benchmark. The Government of Alberta established a carbon pricing system referenced in the federal announcement; therefore, in the short term, the national price on carbon will likely have little additional impact to Highwood beyond that imposed by the Government of Alberta.

Commitments and Contingencies

(a) Commitments

At September 30, 2018, the Company had the following commitments:

Minimum future payments for operating leases:

	Within 12 months	After 12 months but not more than 5 years	More than 5 years	Total
Head office lease (base rent)	\$ 237,000	\$ 673,000	\$ -	\$ 910,000

Physical delivery electricity services contract:

	Average monthly contracted kW	Term	Fixed Price
Electricity	572 kW	October 1, 2018 to September 30, 2018	4.559 ¢/kWh

(b) Contingencies

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 three environmental releases at Red Earth, Alberta, all on the same segment of pipeline. 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. The Company anticipates that this event is insurable and will be making payments on the majority of remediation work prior to March 31, 2019. There will be ongoing monitoring costs which the Company anticipates paying over the next several years subject to the overview and approval of the provincial regulatory bodies. The Company anticipates the majority of the \$21,900,000 pipeline release related costs will be paid out this year from anticipated insurance proceeds of \$20,400,000 to be received prior to December 31, 2018. In relation to the pipeline releases, as at September 30, 2018 the Company has recorded \$20,400,000 of accounts receivable for the anticipated insurance proceeds, \$21,900,000 of accounts payable and accrued liabilities in relation to the estimated costs of the remediation work and

\$1,500,000 in operating costs for the remediation work the Company will be responsible for as part of the self-insured portion of the insurance coverage. At September 30, 2018, \$20,400,000 and \$19,745,173 were included in accounts receivable and accounts payable and accrued liabilities, respectively.

Related-Party Transactions

During the three and nine month periods ended September 30, 2018, the Company incurred charges of \$59,368 and \$80,460, respectively (three and nine months ended September 30, 2017 - incurred charges of \$202,725 and \$354,708, respectively) to Tidewater Midstream and Infrastructure Ltd., a company with common officers and directors for management fees, office space, subscriptions and supplies which was recorded as a increase or reduction to general and administrative expense and was charged \$242,859 and \$320,890, respectively (three and nine months ended September 30, 2017 - \$27,533 and \$404,664, respectively) for net non-operated gas sales, butane purchases and gas processing fees which is included in operating and transportation expense. During the three and nine month periods ended September 30, 2018, the Company was also charged \$92,173 and \$794,136, respectively (three and nine months ended September 30, 2017 - \$155,998 and \$765,186, respectively) for propane purchases and distribution from a subsidiary of this company which is included in operating and transportation expenses on the statement of income (loss) and comprehensive income (loss). As at September 30, 2018, \$12,388 (2017 - \$5,768) is included within accounts receivable and \$232,857 (2017 - \$127,824) is included within accounts payable and accrued liabilities with respect to these charges.

During the nine month period ended September 30, 2018, the Company loaned Fireweed Energy Ltd., a company with common officers and directors \$400,000. The amount bears interest at 5.00% per annum, accrued monthly, with interest payments due on or before maturity of the loan, March 31, 2018. Under the terms on the Company's revolving operating demand loan, the bank provided consent to the Company for the loan contingent on the amount being repaid on or before March 31, 2018. The maturity of the loan was subsequently extended to May 31, 2018. During the nine month period ended September 30, 2018, the loan and interest of \$7,898 was repaid in full.

During the nine month period ended September 30, 2018, the Company purchased undeveloped lands from Predator Oil BC Ltd., a company with common officers and directors for total consideration of \$650,990. Consideration was comprised of cash consideration of \$500,000 and settlement of \$150,990 of receivables from the related party. On June 15, 2018, this party ceased to be related.

During the nine month period ended September 30, 2018, the Company posted a \$750,000 irrevocable standby letter of credit in favour of Battle River Energy Ltd., a company with common officers and directors. The letter of credit was approved by the Company's bank as required under the terms of the Company's credit facility. The letter of credit will accrue interest at a rate of 30% per annum, due two business days following the date upon which the letter of credit is returned. Subsequent to September 30, 2018, the letter of credit was returned to the Company and cancelled.

Hedging

The Company historically practiced an active hedging program, with the objective to provide a measure of downside protection for its oil and natural gas sales and cash flow from operations, while maximizing exposure to potential commodity pricing upside. At September 30, 2018, the Company's hedges covered approximately 50 percent of forecast production for the next 12 months (see "Risk Management" above).

Critical Accounting Judgments, Estimates and Policies

The Company's critical accounting judgements, estimates and policies are described in notes 2 and 3 to the December 31, 2017 annual consolidated financial statements. There have been no changes to the use of estimates or management's judgments since December 31, 2017, with the exception of judgements and estimates relating to an insurable event (note 13(b)), the estimates related to variable consideration and original cost of the Clearwater assets (note 6) and the depreciation method used on the Company's transportation pipeline assets. Certain accounting policies are identified as critical because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain, and because the estimates are of material magnitude to revenue, expenses, funds flow from operations, income or loss and/or other important financial results. These accounting policies could result in materially different results should the underlying conditions change or the assumptions prove incorrect.

Critical accounting estimates are those requiring management to make particularly subjective or complex judgments about inherently uncertain matters. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the same period.

Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate, and may change over time as operating conditions change.

New accounting standards

(i) IFRS 9, "Financial Instruments"

On January 1, 2018, the Company adopted IFRS 9, "Financial Instruments", which replaces IAS 39 "Financial Instruments". This new standard accounts for all aspects of financial instruments and includes a logical model for classification and measurement, a single forward looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. The Company does not employ hedge accounting for its commodity contracts currently in place. Adoption of this new standard did not have any material impact on the Company's consolidated financial statements. The Company has adopted IFRS 9 using a retrospective approach with no impact to opening retained earnings of comparative periods and no adjustments to the carrying value of any of the Company's financial instruments.

The Company has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Financial Instruments

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

Financial Assets	IAS 39	IFRS 9
Cash and cash equivalents (bank overdraft)	Fair value through profit or loss	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Due from related party	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Financial Liabilities	IAS 39	IFRS 9
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Commodity contracts	Fair value through profit or loss	Fair value through profit or loss
Bank debt	Amortized cost	Amortized cost

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model under IAS 39. Under this new model, the majority of the Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have significant financing component and a lifetime expected credit loss ("ECL") is measured as the date of initial recognition of accounts receivable.

Within the Company's accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivables and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. Lifetime ECLs are a probability-weighted estimate of all possible default events over the expected life of a financial asset and are measured as the difference between the present value of the cash flows due to the Company and the cash flows the Company expects to receive. In making an assessment as to whether the Company's financial assets are credit-impaired, the Company considers bad debts that the Company has incurred historically, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, and the term to maturity of the specified receivable. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized was bad debt expense in the statements on income (loss) and comprehensive income (loss).

Based on industry experience, the Company considered financial assets to be in default when the receivable is more than 90 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of collection pursuits outweigh the benefits of collection, the Company derecognizes the gross carrying amount of the asset and the associated allowance from the statement of financial position.

(ii) IFRS 15, "Revenue from Contracts with Customers"

On January 1, 2018, the Company adopted IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces the existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The Company has adopted IFRS 15 using a modified retrospective approach. In its modified retrospective application of IFRS 15, the Company applied a practical expedient that allows the Company to avoid re-considering the accounting for sales contracts that were completed prior to January 1, 2018 and were accounted for under its previous revenue accounting policy. As a result of the adoption of IFRS 15, no changes to the Company's comparative consolidated financial statements were required. IFRS 15 did not have any material impact on the condensed interim consolidated statement of income and comprehensive income for the three and nine month periods ended September 30, 2018 or its condensed interim consolidated statement of financial position as at September 30, 2018.

The Company has revised the description of its accounting policy for revenue recognition to reflect the new standard as follows:

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer (often at terminals, pipelines, or other transportation methods).

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Fees charged to other entities for use of pipelines, processing facilities and roads owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided. Generally, as the Company performs the distinct services stipulated under the contract, it does not have any remaining performance obligations to its customer for those services.

Accounting standards issued but not yet applied

In January 2016, the IASB issued IFRS 16, "*Leases*" to replace IAS 17, "*Leases*". Under IFRS 16, a single recognition and measurement model will apply for lessees, which will require recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently identifying, gathering and analyzing contracts impacted by the adoption of the new standard, as well as evaluating the system requirements for implementation. The Company is currently evaluating the impact of adopting IFRS on the Company's consolidated financial statements.

Non-GAAP measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry. The term "operating netback" (oil and natural gas sales less royalties and production, operating and transportation expenses, all expressed on a per-unit-of-production basis) is not defined under IFRS, and may not be comparable with similar measures presented by other companies. Operating netback is a per-unit-of-production measure that may be used to assess the Company's performance and efficiency.

The term "normalized operating and transportation expense" is not defined under IFRS, and may not be comparable with similar measures presented by other companies. Normalized operating and transportation expense is normalized in order to present what the operating and transportation expense per boe would be for the Company's producing assets, assuming no unusual or non-recurring expenditures.

Basis of Barrel of Oil Equivalent

Petroleum and natural gas reserves and production volumes are stated as a “barrel of oil equivalent” (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Readers are cautioned that boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This document contains certain forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause them to differ materially from those stated, anticipated or implied. Such forward-looking statements necessarily involve risks including, without limitation, those associated with oil and natural gas exploration, property development, production, marketing and transportation, such as dry holes and non-commercial wells, facility and pipeline damage, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, production declines, health, safety and environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Forward-looking information typically includes statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “estimate”, “propose”, “project”, or similar words suggesting future outcomes. The Company cautions readers and prospective investors in the Company’s securities not to place undue reliance on forward-looking information as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

Forward-looking information typically involves substantial known and unknown risks and uncertainties, certain of which are beyond the Company’s control. Such risks and uncertainties include, without limitation: financial risk of marketing reserves at an acceptable price given market conditions; volatility in market prices for oil and natural gas; delays in business operations; pipeline restrictions; blowouts; the risk of carrying out operations with minimal environmental impact; industry conditions including changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; uncertainties associated with estimating oil and natural gas reserves; risks and uncertainties related to oil and gas interests and operations on aboriginal lands; economic risk of finding and producing reserves at a reasonable cost; uncertainties associated with partner plans and approvals; operational matters related to non-operated properties; increased competition for, among other things, capital, acquisitions of reserves and undeveloped lands; competition for and availability of qualified personnel or management; incorrect assessments of the value of acquisitions and exploration and development programs; unexpected geological, technical, drilling, construction, processing and transportation problems; availability of insurance; fluctuations in foreign exchange and interest rates; stock market volatility; general economic, market and business conditions; uncertainties associated with regulatory approvals; uncertainty of government policy changes; uncertainties associated with credit facilities and counterparty credit risk; changes in income tax laws, Crown royalty rates and incentive programs relating to the oil and gas industry; and other factors, many of which are outside the Company’s control. The Company’s actual results, performance or achievements could, therefore, differ materially from those expressed in, or implied by, these forward-looking estimates and whether or not any such actual results, performance or achievements transpire or occur, there can be no certainty as to what benefits or detriments the Company will derive therefrom.

The forward-looking information included herein is expressly qualified in its entirety by this cautionary statement. It is made as of the date hereof and the Company assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

Abbreviations

The following summarizes the abbreviations used in this document:

Crude Oil and Natural Gas Liquids

bbl	barrel
Mbbl	thousand barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
Mboe	thousand barrels of oil equivalent
boe/d	barrel of oil equivalent per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
GJ	Gigajoule; 1 Mcf of natural gas is about 1.05 GJ
MMBtu	million British thermal units; 1 GJ is about 0.95 MMBtu

Other

\$000s	thousands of dollars
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard

Corporate Information

BOARD OF DIRECTORS

GREG MACDONALD

President & CEO
Highwood Oil Company Ltd.
Calgary, Alberta

JOEL MACLEOD

Independent Businessman
Calgary, Alberta

STEPHEN HOLYOAKE

Independent Businessman
Calgary, Alberta

OFFICERS

GREG MACDONALD

President & Chief Executive Officer

GRAYDON GLANS

Chief Financial Officer

KELLY McDONALD

Vice President, Exploration

HEAD OFFICE

Suite 900, 222 – 3rd Avenue S.W.
Calgary, Alberta
T2P 0B4

Telephone: 403-719-0499

Facsimile: 587-296-4916

AUDITORS

RSM Alberta LLP
Calgary, Alberta

BANKERS

National Bank of Canada
Calgary, Alberta

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

DLA Piper (Canada) LLP
Calgary, Alberta

Predator Oil Ltd.
Consolidated Financial Statements
Year Ended December 31, 2017

Independent Auditors' Report

To the Shareholders of
Predator Oil Ltd.

We have audited the accompanying consolidated financial statements of Predator Oil Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the financial position of Predator Oil Ltd. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
May 29, 2018

Predator Oil Ltd.
Consolidated Statement of Financial Position

(amounts in Canadian dollars)

	Note	As at December 31 2017	As at December 31 2016
Assets			
Current assets			
Accounts receivable	6, 19(a)	\$ 3,872,663	\$ 3,661,088
Deposits and prepaid expenses	7	166,230	143,901
Due from related party	5 (b)	1,562,105	-
Total current assets		5,600,998	3,804,989
Accounts receivable	6, 19 (a)	115,166	354,623
Acquisition deposit	22	710,000	3,700,000
Reclamation deposits	8	141,300	141,300
Exploration and evaluation assets	9	4,992,805	1,553,993
Property, plant and equipment	10	68,246,666	69,854,030
Total assets		\$ 79,806,935	\$ 79,408,935
Liabilities			
Current liabilities			
Bank overdraft		\$ 359,551	\$ 561,782
Accounts payable and accrued liabilities		2,891,864	1,995,500
Bank debt	11	16,400,000	18,675,000
Commodity contracts	19 (b)	523,000	1,024,000
Total current liabilities		20,174,415	22,256,282
Commodity contracts	19 (b)	100,000	143,000
Decommissioning liabilities	12	28,387,999	26,757,000
Deferred tax liability	13 (a)	4,281,000	3,204,000
Total liabilities		52,943,414	52,360,282
Shareholders' Equity			
Equity attributable to Predator Oil Ltd. shareholders:			
Share capital	14	11,500,000	11,500,000
Contributed surplus		827,125	861,111
Retained earnings		14,386,488	14,538,237
Equity attributable to Predator Oil Ltd. shareholders		26,713,613	26,899,348
Non-controlling interest		149,908	149,305
Total equity		27,863,521	27,048,653
Total liabilities and shareholders' equity		\$ 79,806,935	\$ 79,408,935

Commitments (note 18)

Subsequent events (note 5(b), 11, 16, 19, 22)

See the accompanying Notes to the Consolidated Financial Statements

Approved by the Board:

"Signed" Don Garner, Director

"Signed" Joel MacLeod, Director

Predator Oil Ltd.**Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)**

(amounts in Canadian dollars)

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Revenue			
Oil and natural gas sales		\$ 28,289,467	\$ 20,961,301
Royalties		(3,137,014)	(1,679,592)
Processing and other income		1,132,267	1,433,601
Realized gain on commodity contracts	19 (b)	1,465,140	7,628,762
Unrealized gain (loss) on commodity contracts	19 (b)	544,000	(8,757,000)
Total revenue, net of royalties		28,293,860	19,587,072
Expenses			
Operating and transportation		16,629,094	12,743,714
General and administrative		3,727,280	1,810,634
Exploration and evaluation expenditures	9	206,000	707,000
Depletion and depreciation	10, 12	5,408,600	6,099,000
Bad debt expense	6	68,083	37,214
Stock-based compensation expense	16	192,000	280,000
Total expenses		26,231,057	21,677,562
Operating income (loss)		2,062,803	(2,090,490)
Other income (expenses)			
Bargain purchase gain	5 (a)	2,489,031	-
Gain on disposal of assets		70,000	42,305
Transaction costs	5 (a)	(369,918)	(94,244)
Realized loss on investment	5 (a)	(2,013,750)	-
Finance income and expenses, net	15	(1,514,301)	(1,310,551)
Total other income (expenses)		(1,338,938)	(1,362,490)
Income (loss) before taxes		723,865	(3,452,980)
Current tax recovery	13 (b)	(30,989)	(31,411)
Deferred tax expense (recovery)	13 (b)	156,000	(85,000)
Total tax expense (recovery)		125,011	(116,411)
Income (loss) and comprehensive income (loss) for the year		\$ 598,854	\$ (3,336,569)
Attributable to:			
Equity holders of Predator Oil Ltd.		\$ 598,251	\$ (3,337,740)
Non-controlling interest		\$ 603	\$ 1,171

See the accompanying Notes to the Consolidated Financial Statements

Predator Oil Ltd.
Consolidated Statement of Changes in Shareholders' Equity

(amounts in Canadian dollars)

	Equity attributable to Predator Oil Ltd. shareholders						
	Note	Share capital	Contributed surplus	Retained earnings	Total	Non-controlling interest	Total equity
Balance, January 1, 2016		\$ 11,500,000	\$ 581,111	\$ 19,175,977	\$ 31,257,088	\$ 148,134	\$ 31,405,222
Stock-based compensation	16	-	280,000	-	280,000	-	280,000
Dividends	14	-	-	(1,300,000)	(1,300,000)	-	(1,300,000)
Loss and comprehensive loss for the year		-	-	(3,337,740)	(3,337,740)	1,171	(3,336,569)
Balance, December 31, 2016		\$ 11,500,000	\$ 861,111	\$ 14,538,237	\$ 26,899,348	\$ 149,305	\$ 27,048,653
Balance, January 1, 2017		\$ 11,500,000	\$ 861,111	\$ 14,538,237	\$ 26,899,348	\$ 149,305	\$ 27,048,653
Stock-based compensation	16	-	192,000	-	192,000	-	192,000
Cash settlement of options	16	-	(225,986)	-	(225,986)	-	(225,986)
Dividends	14	-	-	(750,000)	(750,000)	-	(750,000)
Income and comprehensive income for the year		-	-	598,251	598,251	603	598,854
Balance, December 31, 2017		\$ 11,500,000	\$ 827,125	\$ 14,386,488	\$ 26,713,613	\$ 149,908	\$ 26,863,521

See the accompanying notes to the Consolidated Financial Statements

Predator Oil Ltd.
Consolidated Statement of Cash Flows

(amounts in Canadian dollars)

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Cash provided by (used in):			
Operating activities			
Income (loss) for the year		\$ 598,854	\$ (3,336,569)
Items not involving cash:			
Unrealized (gain) loss on commodity contracts	19	(544,000)	8,757,000
Exploration and evaluation expenditures	9	206,000	707,000
Depletion and depreciation expense	10, 12	5,408,600	6,099,000
Bargain purchase gain	5	(2,489,031)	-
Realized loss on investment	5	2,013,750	-
Finance expense	15	606,000	549,000
Deferred tax expense (recovery)	13 (b)	156,000	(85,000)
Stock-based compensation	16	192,000	280,000
Gain on disposal of assets		(70,000)	(42,305)
Cash abandonment expenditures	12	(750,040)	(191,689)
Change in long-term accounts receivable	6	239,457	(354,623)
Change in non-cash working capital	17	896,010	(744,985)
<i>Net cash from operating activities</i>		6,463,600	11,636,829
Financing activities			
Dividends paid	14	(750,000)	(1,300,000)
Cash settlement of options	14	(225,986)	-
Bank debt, net of repayment	11	(2,275,000)	(4,850,000)
<i>Net cash used in financing activities</i>		(3,250,986)	(6,150,000)
Investing activities			
Advances to related party	5(b), 21	(3,007,105)	-
Repayments of advancements to related parties	21	3,000,000	-
Acquisition deposits	22	(710,000)	(3,700,000)
Acquisition of assets held for sale	5 (a)	(26,155,905)	-
Acquisition of petroleum and natural gas assets	5 (a)	(700,000)	-
Additions to property, plant and equipment	10	(2,881,197)	(2,778,611)
Additions to exploration and evaluation assets	9	(6,703,085)	(319,419)
Proceeds on dispositions of property, plant and equipment		70,000	614,698
Proceeds on dispositions of exploration and evaluation assets	9	3,058,273	-
Proceeds on dispositions of assets held for sale	5	27,764,205	-
Proceeds on disposal of investments	5	3,487,981	-
Change in non-cash working capital	17	(233,550)	158,042
<i>Net cash used in investing activities</i>		(3,010,383)	(6,025,290)
Change in cash and cash equivalents		\$ 202,231	\$ (538,461)
Cash and cash equivalents (bank overdraft), beginning of year		(561,782)	(23,321)
Cash and cash equivalents (bank overdraft), end of year		\$ (359,551)	\$ (561,782)
Cash and cash equivalents is comprised of:			
Balances with banks (bank overdraft)		\$ (359,551)	\$ (561,782)

See the accompanying Notes to the Consolidated Financial Statements

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

1. REPORTING ENTITY

Predator Oil Ltd. (the “Company”) is a private oil and natural gas exploration, development and production Company incorporated in Alberta, Canada on August 24, 2012. The Company conducts its operations in the Western Canadian Sedimentary basin, primarily in the province of Alberta. The Company’s principal place of business is located at Suite 900, 222 – 3rd Avenue SW, Calgary, Alberta, T2P 0B4. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 29, 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee. A summary of the significant accounting policies and method of computation is presented in note 3. Management’s significant accounting judgments, estimates and assumptions used in the preparation of the consolidated financial statements for the year ended December 31, 2017 are included in note 2 (d).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise allowed for in accordance with IFRS.

(c) Functional and presentation currency

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

(d) Management’s significant accounting judgments, estimates and assumptions

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates, judgments and assumptions made by management in the preparation of these consolidated financial statements are outlined below.

Significant judgments in applying accounting policies:

The following are the significant judgments, estimates and assumptions that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

(i) Identification of cash-generating units (CGU’s)

The Company’s oil and natural gas interests are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. The classification of assets into CGU’s requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Company’s operations. The Company has identified Red Earth and Clearwater Heavy Oil as its core CGU’s.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

(ii) Valuation of oil and natural gas assets

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of undeveloped lands and other relevant assumptions.

(iii) Componentization

For the purposes of calculating depletion expense, the Company allocates its oil and natural gas assets to components with similar lives and depletion methods. The grouping of assets is subject to management's judgment and is performed on the basis of geographical proximity and similar reserve life. The Company's oil and natural gas assets are depleted on a unit of production basis.

(iv) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic viability and technical feasibility.

(v) Deferred taxes

The Company follows the liability method for calculating deferred taxes. Judgment is required in the calculation of current and deferred taxes in applying tax laws and regulations, estimating the timing of the reversals of temporary differences and estimating the realizability of deferred tax assets.

(vi) Joint operations

The Company is party to various joint interest, operating and other agreements in conjunction with its oil and natural gas activities. The revenues and expenses allocated between partners are governed by the terms of these agreements and are subject to interpretation and audit by the appropriate parties.

Key sources of estimation uncertainty:

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

(i) Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production volumes, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's oil and natural gas properties and equipment, the calculation of depletion and depreciation, and the provision for decommissioning liabilities. The reserve assessment was completed by an external third party engineering firm for the years ended December 31, 2017 and 2016.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

(ii) Decommissioning liabilities

The calculation of decommissioning liabilities and related accretion expense requires estimates of future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. In addition, the calculation requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iii) Asset acquisitions/Business combinations

Management estimates the fair value of the acquired identifiable net assets at the date of acquisition and specifically in identifying and valuing the exploration and evaluation assets, property, plant and equipment and decommissioning liabilities acquired in acquisitions. The fair values assigned to the allocation of the purchase price to net assets is based on numerous estimates that affect the valuation of certain assets and liabilities acquired including the discount rates, estimates of proved and probable reserves, estimates of fair values of exploration and evaluation assets including undeveloped lands, estimate of realization of deferred tax assets, future oil and natural gas prices and other factors.

(iv) Commodity contracts

The amounts recorded for the fair value of commodity contracts is dependent on estimates of future commodity prices, foreign exchange rates and volatility in those prices.

(v) Current taxes/Deferred taxes

The amounts recorded for current and deferred tax expense and deferred tax liability are based on estimates as to the timing of the reversal of temporary differences, substantially enacted tax rates and the likelihood of tax assets being realized. The availability of tax pools and other deductions are subject to audit and interpretation by tax authorities.

(vi) Valuation of accounts receivable

Certain amounts included in accounts receivable are based on management's best estimate of collectability.

(vii) Share-based payments

The amounts recorded for stock-based compensation expense relating to the fair value of stock options issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Company's share value (based on comparison to similar companies in the oil and natural gas exploration and production industry), estimated market value of the Company's shares at grant date, expected forfeiture rates, expected lives of the options (based on general holder behaviour) and the risk-free interest rate (based on government bonds).

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries, Predator Oil Partnership, where the Company holds 99% of the voting rights and where there are common officers, shareholders and directors. On January 1, 2016, the Company amalgamated with South Bay Resources Canada ULC and 1183929 Alberta ULC, where the Company held 100% of the voting shares and their 100% owned subsidiary, South Bay Resources Canada Limited Partnership. Control is comprised of the power to govern an entity's financial and operating policies to obtain benefits from its activities. Subsidiaries are fully consolidated on a line-by-line basis, recognizing all their assets, liabilities, income and expenses and recording any non-controlling interest for the portion not owned by the Company from the date on which control is obtained. Intercompany transactions and balances between the Company and its subsidiary are eliminated. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the acquired share of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Joint arrangements

A portion of the Company's oil and natural gas business activities involve jointly controlled assets and are conducted under joint operating agreements. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. These consolidated financial statements reflect only the Company's proportionate share of the joint operation's controlled assets and liabilities it has incurred, its share of any liabilities jointly incurred with other joint interest partners, income from the sale or use of its share of the joint operation's output, together with its share of expenses incurred by the joint operation and any expenses it incurs in relation to its interest in the joint operation and a share of production in such activities.

b) Business combinations

Business combinations are accounted for using the acquisition method when the acquisitions of companies and/or assets meet the definition of a business under IFRS. The cost of an acquisition is measured at their fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The acquired identifiable assets and liabilities are measured initially at their fair value at the date of acquisition. The fair value of exploration and evaluation assets and property, plant and equipment is the estimated amount for which these assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests is estimated with reference to discounted cash flows expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports as well as estimates of market values of undeveloped lands. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in profit or loss. Associated transaction costs are expensed when incurred.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

c) 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 have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

(i) Classification and measurement

The Company's non-derivative financial instruments are comprised of cash and cash equivalents or bank overdraft, accounts receivable, deposits, due from related party, accounts payable and accrued liabilities and bank debt. Non-derivative financial instruments are recognized initially at fair value except in the case of financial assets or liabilities measured at amortized cost which are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

The Company has classified cash and cash equivalents (bank overdraft) as fair value through profit or loss and these financial assets are measured at fair value with changes in fair value recognized in profit or loss.

The Company has classified accounts receivable, deposits, due from related party, accounts payable and accrued liabilities and bank debt as financial instruments measured at amortized cost. These assets and liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization.

(ii) Derivative financial instruments – commodity contracts

The Company enters into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These contracts are not used for trading or speculative purposes. Financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at fair value with changes in fair value recorded in profit or loss. Transaction costs are recognized in profit or loss when incurred. The fair values of derivative instruments are generally based on an estimate of the amounts that would be paid or received to settle these instruments at the statement of financial position date.

(iii) Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(iv) Impairment

The Company assesses at each statement of financial position date, whether there is objective evidence that a financial asset, other than those designated as "fair value through profit or loss" 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.

The criteria used to determine if there is objective evidence of an impairment include but are not limited to:

- Significant financial difficulty of the obligor;
- Delinquencies in payments; and
- It becomes probable that the obligor will enter bankruptcy.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016
(amounts in Canadian dollars)

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 profit or 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 costs the reversal is recognized in profit or loss.

d) Fair value determination

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Cash and cash equivalents

The fair value of cash and cash equivalents (bank overdraft) approximates its carrying value due to the short-term to maturity. The Company has used Level 1 to determine the fair value of its cash and cash equivalents.

Accounts receivable, deposits, due from related party, accounts payable and accrued liabilities and bank debt

The fair value of accounts receivables, deposits, due from related party, accounts payable and accrued liabilities and bank debt is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2017 and 2016, the fair value of accounts receivables, deposits and accounts payable and accrued liabilities approximated their carrying value due to their short term to maturity. The fair value of bank debt approximates its carrying value as it bears a floating rate of interest.

Derivatives – commodity contracts

The fair value of financial forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward curves at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate adjusted for the credit risk of the counterparty. The Company has used Level 2 to determine the fair value of its commodity contracts.

Property, plant and equipment and exploration and evaluation assets

The fair value less costs of disposal values used to determine the recoverable amounts of property, plant and equipment and exploration and evaluation assets are classified as Level 3 fair value measurements as they are not based on observable market data.

e) Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016
(amounts in Canadian dollars)

f) Cash and cash equivalents

Cash and cash equivalents includes amounts on deposit with banks, unrestricted amounts held in lawyers' trust accounts and other highly liquid short-term investments that are readily convertible to cash with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

g) Investments

Investments in which the Company does not have control are initially recorded at cost, less any attributable transactions costs which are recognized in profit or loss when incurred, and are classified as "fair value through profit or loss" and accordingly carried at fair value through profit or loss. Fair value is determined by multiplying the period end trading price, if traded in an active market, of investments by the number of common shares held at period end.

Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are recorded at cost as there is not a liquid market for the common shares and liquidation would require a private buyer or for the company to list on a stock exchange.

h) Oil and natural gas interests

(i) Recognition and measurement

Exploration and evaluation assets:

Pre-license costs incurred before the Company has attained legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation costs, including the costs of acquiring leases and licenses, technical services and studies, geophysical and geological activities, seismic acquisition, exploration drilling and testing are initially capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by exploration area pending determination of technical feasibility and commercial viability. Assets classified as exploration and evaluation are not depleted or depreciated until after these assets are reclassified to property, plant and equipment.

Exploration and evaluation assets are tested separately for impairment and 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. When an exploration and evaluation asset is determined not to be technically feasible or commercially viable, or the Company decides not to continue with its activity, the unrecoverable exploration and evaluation costs are charged to profit or loss as exploration and evaluation expense.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property, plant and equipment referred to as oil and natural gas interests.

Exchanges, swaps and farm-outs that involve only exploration and evaluation assets are accounted for at cost. Any gains or losses from the disposal of exploration and evaluation assets are recognized in profit or loss.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016
(amounts in Canadian dollars)

Property, plant and equipment:

All costs directly associated with the development and production of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets. Items of property, plant and equipment, which include oil and natural gas development assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in profit or loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

(ii) Depletion and depreciation

The net carrying value of oil and natural gas interests included in property, plant and equipment is depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Oil and natural gas interests including processing facilities and well equipment are componentized into groups of assets with similar useful lives for the purposes of performing depletion calculations. Relative volumes of reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. Future development costs are estimated taking into account the level of development required to produce the reserves. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iii) Impairment

The carrying amounts of the Company's property, plant and equipment and exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment. These indicators include, but are not limited to, extended decreases in prices or margins for oil and natural gas commodities or products, a significant downward revision in estimated reserves, an upward revision in future development costs, significant decrease in fair values of undeveloped lands in close proximity to lands held by the Company or management's decision to no longer pursue certain evaluation projects. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, exploration and evaluation assets and property, plant and equipment are tested separately and are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or cash generating units ("CGU"). Geological formation, product type, geography and internal management operations and processes are key factors considered when grouping the Company's oil and natural gas interests into CGU's.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. Fair value is determined to be the amount for which the asset could be sold in an arm's-length transaction between knowledgeable and willing parties. Unless indicated otherwise, the recoverable amount used in assessing impairment losses is fair value less costs of disposal. The Company estimates fair value less cost of disposal using discounted future net cash flows of proved and probable reserves based on forecast prices and costs and including future development costs. The cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016
(amounts in Canadian dollars)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss in respect of property, plant and equipment recognized in prior years, is 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, if no impairment loss had been recognized.

i) 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. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event. Provisions are not recognized for future operating losses.

(i) Decommissioning liabilities:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and capitalized to exploration and evaluation assets or property, plant and equipment and are depleted over the useful life of the assets.

Decommissioning liabilities are measured at the present value of management's best estimate of the risk adjusted cash flows required to settle the present obligation at the statement of financial position date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. Subsequent to the initial measurement, the liability is adjusted at the end of each period to reflect the passage of time using a risk-free interest rate and changes in the estimated future cash flows underlying the liability. The increase in the provision due to the passage of time is recognized as a finance cost whereas increases/decreases due to changes in the estimated future cash flows or timing are recognized as changes in the decommissioning liability and related asset. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the liability to the extent the liability was established. Any differences between the recorded liability and the actual costs incurred are recorded as a gain or loss in profit or loss.

j) Revenue and expenses

Revenue from the production and sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes from the Company to the customer. Revenue is measured at the fair value of the consideration received or receivable based on price, volumes delivered and contractual delivery points.

The costs associated with delivery, including the operating and maintenance costs, royalties and transportation are recognized in the same period in which the related revenue is earned and recorded.

Processing and other income is recognized on a fee-for-service basis when the service has been performed in accordance with the applicable third-party agreements. Expenses related to these income streams are incurred by the Company on behalf of third parties on the basis of relative product throughput as well as maintenance of Company infrastructure and roadways utilized by third parties. Fees earned by the Company are designed to ensure the Company, at minimum, recovers operating costs and capital costs incurred on behalf of third parties.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016
(amounts in Canadian dollars)

k) Finance income and expenses

Finance income, consisting of interest income, dividend income and other, is recognized as it accrues in profit or loss using the effective interest method and/or when the Company's right to receive payments is established.

Finance expense is comprised of interest expense on borrowings, financing fees, accretion of the discount on decommissioning liabilities and impairment losses on financial instruments, and is recognized in the period in which they are incurred.

l) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

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 liability 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 liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. 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 by the reporting date.

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 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.

m) Share-based payments

Stock options granted to directors, officers, employees and consultants of the Company are accounted for using the fair value method under which compensation or other equity costs are recorded based on the estimated fair value of stock options or other equity instruments granted using the Black-Scholes option pricing model. The Company measures share based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options granted will be used, measured using the Black-Scholes option pricing model.

Under the fair value method, costs attributable to stock options granted are measured at fair value at the date of grant and expensed on a tranche-by-tranche basis over the vesting period, with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate at the date of grant and recognizes the effect of differences in non-vested stock option forfeitures in the period forfeiture occurs.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016
(amounts in Canadian dollars)

n) Financial statement presentation

Statement of income (loss)

The Company's statement of income (loss) and comprehensive income (loss) is prepared primarily by nature of expense but would be significantly different if prepared by functions as employee compensation costs are included in general and administrative and operating and transportation expenses.

4. ACCOUNTING POLICIES ADOPTED AND ACCOUNTING POLICIES ISSUED BUT NOT YET APPLIED

During the year ended December, 31, 2017, the Company did not adopt any new or revised standards that had a material effect on the Company. New accounting standards, amendments to accounting standards and interpretations effective for annual periods beginning on or after January 1, 2017 are as follows:

- IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). In April 2016, the IASB issued its final amendments to IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 provides a single, principles-based five step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The Company will retrospectively adopt IFRS 15 on January 1, 2018. The Company has substantially completed reviewing its various revenue streams and underlying contracts with customers. It has been concluded that the adoption of IFRS 15 will not have a material impact on the Company's net income (loss) and financial position. The Company will expand the disclosures in the notes to its consolidated financial statements as prescribed by IFRS 15, including disclosing the Corporation's disaggregated revenue streams by product type.

- IFRS 9, "Financial Instruments" ("IFRS 9"). In July 2014, the IASB completed the final elements of IFRS 9, Financial Instruments. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than the statement of income (loss).

In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. The Company has determined that the new impairment model will not result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also contains a new model to be applied for hedge accounting. The Corporation does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9, as well as consequential amendments to IFRS 7, Financial Instruments: Disclosures, will be applied on a retrospective basis by Predator on January 1, 2018.

The Company has determined that the adoption of IFRS 9 will not have a material impact on the measurement and carrying values of the Corporation's financial assets or liabilities.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

- IFRS 16, “Leases” (“IFRS 16”). The new standard achieves the goal of bringing leases onto the statement of financial position for lessees. There will be a single lease accounting model for all leases, and there will no longer be a classification test between finance and operating leases. The lessee will recognize a right of use asset and a lease liability and the lease will be treated as an asset on a financial basis. There will be an optional exemption for short term leases, defined at 12 months or less, and an option for portfolio accounting on leases that have similar criteria. From the lessor's perspective, there will still be a dual lease accounting model that follows the criteria set out in IAS 17 (previous leases standard). IFRS 16 is applicable for annual periods beginning on or after January 1, 2019. IFRS 16 is being assessed to determine its impact on the Corporation's results and financial position.

5. ACQUISITIONS AND ASSETS HELD FOR SALE

a) *West Central Assets*

On January 31, 2017, the Company completed the acquisition of oil and gas producing assets in West Central Alberta for total cash consideration of \$30,200,905, being the agreed upon purchase price of \$33,000,000 less adjustments for net revenues and other items from the effective date of November 30, 2016 to close of \$2,799,095. The acquisition was recognized as a business combination in accordance with IFRS 3 – Business Combinations, as the acquired assets and liabilities assumed constitute a business. The Company acquired the oil and natural gas assets (“West Central Assets”) for purpose of short-term producing cash flows and disposing of the assets for profit. Cash consideration was paid with advances from the Company’s revolving operating demand loan (note 11) and the acquisition deposit of \$3,700,000. At January 31, 2017, the Company classified the assets acquired and liabilities assumed as held for sale and therefore these assets held for sale have not been depleted or depreciated from their acquisition date of January 31, 2017 to disposition in April 2017 in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations.

The fair value of the net assets acquired is as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Assets held for sale – oil and natural gas properties	\$ 53,425,936
Prepaid expenses and deposits	345,000
Liabilities associated with assets held for sale – decommissioning liabilities	(20,160,000)
Deferred tax liability	(921,000)
Total net assets acquired	32,689,936
Bargain purchase gain	(2,489,031)
Purchase consideration transferred	\$ 30,200,905
Consideration for the acquisition:	
Cash paid	\$ 30,200,905

Acquisition related costs totalling \$65,669 have been excluded from consideration paid and have been recognized as transaction costs on the statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2017.

During the year ended December 31, 2017, the Company sold a portion of the oil and gas rights acquired related to undeveloped lands in West Central Alberta for total cash consideration of \$700,000 and reduced assets held for sale accordingly. No gain or loss was recognized on the disposition.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

During the year ended December 31, 2017, the Company agreed to sell the remaining West Central Assets, excluding specific assets along with 20 natural gas swaps held by the Company, and prepaid expenses and deposits of \$201,000 to a public company for total consideration of \$35,645,000 subject to customary post-closing adjustments. Consideration is comprised of cash totalling \$29,645,000 and 2,076,125 common shares of the public company at a deemed price of \$2.89 per common share. Closing of the transaction occurred in April 2017.

The fair value of the assets held for sale and corresponding liabilities above was determined based on the consideration that was received by the Company on the subsequent sale of the West Central Assets after post-closing adjustments was \$32,565,936.

The consideration consisted of cash totalling \$27,064,205 and 2,076,125 common shares of the public company at a fair value of \$5,501,731 (\$2.65 per common share), based on the trading price of the public company's common shares on the day of closing. The consideration was reduced by the amount paid for the natural gas swaps of \$1,242,941.

The common shares of the public company were included in investments on the consolidated statement of financial position. During the year ended December 31, 2017, the Company disposed of all the public company's common shares for net proceeds of \$3,487,981. The Company recognized a realized loss on disposition of \$2,013,750.

The Company incurred an additional \$277,854 in transaction costs during the year ended December 31, 2017, with respect to the disposition of the assets.

As the fair value of the net assets acquired exceeded the purchase price, a bargain purchase gain of \$2,489,031 has been included on the statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2017

If the transaction to acquire the West Central Assets had taken place on January 1, 2017, it is estimated that the assets acquired would have contributed incremental revenues net of royalties and net income before taxes of \$1,682,000 and \$870,000, respectively, for the year ended December 31, 2017.

(b) Davey Lake Acquisition

On August 31, 2017, the Company completed the acquisition of oil and gas assets in Davey Lake Alberta for total cash consideration of \$700,000, from a company with common shareholders, officers and directors. The acquisition was recognized as an asset acquisition. The Company acquired the non-producing oil and natural gas assets for purpose of short-term cash flows in the form of a deposit with Alberta Energy Regulator that the Company believes will be refunded.

The fair value of the net assets acquired is as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Due from related party	\$ 1,555,000
Liabilities associated with assets held for sale – decommissioning liabilities	(855,000)
Total net assets acquired	700,000
Purchase consideration transferred	\$ 700,000

Consideration for the acquisition:	
Cash paid	\$ 700,000

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

Due from related party relates to the deposit that is held with Alberta Energy Regulator, in trust for the related party. The interest earned on the deposit from August 31, 2017 to December 31, 2017 of \$7,105 is included in finance income and expenses, net on the statement of income (loss) and comprehensive income (loss). Subsequent to December 31, 2017, the entire balance, including interest was refunded to the related party and the funds were transferred to the Company to settle the entire due from related party balance.

There were no acquisition costs incurred as part of the acquisition.

6. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2017	2016
Oil and natural gas marketers	\$ 1,855,952	\$ 2,172,270
Joint interest partners	787,893	840,304
Commodity contract receivable	-	455,793
Road use receivable	738,038	478,199
Other ¹	605,946	69,145
Balance, December 31	\$ 3,987,829	\$ 4,015,711

¹ Other accounts receivable at December 31, 2017 primarily consists of a balance due from related parties for recovery of general and administrative expenses (note 21) and a gas cost allowance accrual of \$278,000.

Accounts receivable at December 31, 2017 includes \$571,166 (2016 - \$738,623) due from a third party where \$456,000 (2016 - \$384,000) is classified as current and \$115,166 (2016 - \$354,623) is classified as long-term. Management believes the entire balance will be collected, with the long-term portion expected to be received during the 2019 year end.

Allowances for bad debts at December 31, 2017 totalled \$357,824 (2016 - \$357,824). Bad debt expense on the statement of income (loss) and comprehensive income (loss) relates to amounts specifically identified.

7. DEPOSITS AND PREPAID EXPENSES

Deposits and prepaid expenses are comprised of the following:

	2017	2016
Deposits	\$ 104,848	\$ 105,326
Prepaid expenses	61,382	38,575
Balance, December 31	\$ 166,230	\$ 143,901

Prepaid expenses include prepaid annual fees, which are based on the invoiced amount and amortized over the term of the related payment.

8. RECLAMATION DEPOSITS

At December 31, 2017 and December 31, 2016, the reclamation deposits consist of the amount required to be paid to the province of Saskatchewan and British Columbia in connection with the future reclamation of minor oil and natural gas properties of \$141,300. The deposits are based on formulas and are held in bank accounts which earn interest on a monthly basis.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets is comprised of the following:

	2017	2016
Balance, beginning of year	\$ 1,553,993	\$ 1,941,574
Additions	6,703,085	319,419
Dispositions	(3,058,273)	-
Land lease expiries	(206,000)	(707,000)
Balance, December 31	\$ 4,992,805	\$ 1,553,993

Exploration and evaluation assets include undeveloped lands, unproved properties and seismic costs where management has not fully evaluated for technical feasibility and commercial viability.

Additions during the year ended December 31, 2017 mainly relate to undeveloped lands that were acquired in the Company's new core area, Clearwater Heavy Oil. During the year ended December 31, 2017, the Company closed an agreement with a private company relating to the Clearwater Heavy Oil lands. The private company acquired approximately a 50% interest in the Clearwater Heavy Oil lands at the carrying value, for total cash consideration of \$2,650,273.

The remaining dispositions of \$408,000 relates to lands that were sold to a related party at the carrying value (note 21).

During the year ended December 31, 2017, the Company expensed certain costs previously capitalized as exploration and evaluation assets as the lease term of undeveloped lands expired in the amount of \$206,000 (2016 - \$707,000). These amounts have been included as exploration and evaluation expenditures in the statement of income (loss) and comprehensive income (loss).

10. PROPERTY, PLANT AND EQUIPMENT

Oil and natural gas properties	2017	2016
COSTS		
Balance, beginning of year	\$ 85,365,030	\$ 84,072,123
Change in decommissioning liabilities (note 12)	1,025,439	(913,311)
Additions	2,881,197	2,778,611
Dispositions	-	(572,393)
Balance, December 31	\$ 89,271,666	\$ 85,365,030
ACCUMULATED DEPLETION AND DEPRECIATION		
Balance, beginning of year	\$ (15,511,000)	\$ (9,472,000)
Depletion and depreciation	(5,514,000)	(6,039,000)
Balance, December 31	\$ (21,025,000)	\$ (15,511,000)
Net book value, December 31	\$ 68,246,666	\$ 69,854,030

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

Depletion

Future development costs of \$70,544,000 (2016 - \$63,905,000) associated with the development of the Company's proved plus probable reserves were included in the calculation of depletion for the year ended December 31, 2017.

Impairment

The Company assesses many factors when determining if an impairment test should be performed. For the years ended December 31, 2017, and December 31, 2016, the Company conducted an assessment of impairment indicators for the Company's CGUs. In performing the review, management determined that the continued depressed commodity pricing and the impact this has on the economic performance of the Company's CGUs justified calculation of the recoverable amounts of all CGUs. The recoverable amounts were estimated at the fair value less costs of disposal based on the net present value of the before tax future net cash flows from oil and natural gas proved and probable reserves using forecasted prices and costs estimated by external engineers. The future net cash flows were discounted at a rate of 10%. There was no impairment loss required for any of the Company's CGUs for the years ended December 31, 2017 and December 31, 2016. Key assumptions used in the determination of the recoverable amounts of each CGU includes commodity prices and discount rates applied to cash flows from proved and probable reserves. A 1% increase in the assumed discount rate over the life of the reserves independently would not have resulted in an impairment loss at December 31, 2017 and December 31, 2016.

The forecasted commodity prices used in the impairment test at December 31, 2017 were as follows (USD\$/bbl):

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
WTI Crude Oil	59.00	59.00	60.00	63.00	66.00	69.00	72.00	75.00	77.83	78.88	+2%/yr

The forecasted commodity prices used in the impairment test at December 31, 2016 were as follows (USD\$/bbl):

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
WTI Crude Oil	55.00	59.00	64.00	67.00	71.00	74.00	77.00	80.00	83.00	86.05	+2%/yr

For purposes of the impairment test, the benchmark commodity prices forecast above are adjusted to reflect varied delivery points and quality differentials in the products delivered.

11. BANK DEBT

The Company has a revolving operating demand loan from a major Canadian chartered bank for a maximum available of \$27,000,000. The credit facility can be used for general corporate purposes including capital expenditures and advances may be made by way of direct advances, bankers acceptances, or standby letters of credit/guarantees. The credit facility bears interest at the Bank's prime rate on bankers acceptance discount rates plus an applicable margin of 50bps to 250bps on prime rate loans and 175bps to 375 bps on stamping fees related to bankers acceptances, determined by reference to the Company's net debt to cash flow ratio (as defined in the credit facility agreement). Interest on the credit facility is due monthly. The credit facility is secured by a \$100,000,000 debenture with a floating charge over all the assets of the Company.

During the year ended December 31, 2017, the Company's entered into a First Amending Agreement ("Amendment") of the credit facility. The loan was increased to \$54,000,000 from \$27,000,000 in conjunction with the purchase and sale agreement with a receiver for oil and gas producing assets (note 5). As part of the Amendment, loan covenants were amended such that within thirty days of the closing of the purchase and sale agreement, the Company must enter into commodity swap agreements covering no less than 50% of gross natural gas production for a period of not less than 2 years, and also not less than 750 barrels per day of oil production for a period of 1 year and thereafter not less than 500 barrels per day of oil production for the following year thereafter and continuing for each year thereafter, each to be tested quarterly; provided that the price floor for all agreements be acceptable to the bank. The Company effectively also has maximum amounts of derivative contracts it can enter into being i) 60% of forecast production for commodity swaps, ii) 50% of loan maximum for interest rate swaps and iii) 50% of forecast US dollar revenue for currency swaps. Interest rate and security terms remained unchanged.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

During the year ended December 31, 2017, the Company entered into a Second Amending Agreement (“Second Amendment”) of the credit facility. As part of the Second Amendment, loan covenants were amended such that within thirty days of the closing of the purchase and sale agreement, the Company must enter into commodity swap agreements covering no less than 50% of gross natural gas production for a period of not less than 2 years, and also not less than 750 barrels per day of oil production for a period of 1 year and thereafter not less than 400 barrels per day of oil production for the following year thereafter and continuing for each year thereafter, each to be tested quarterly; provided that the price floor for all agreements be acceptable to the bank

During the year ended December 31, 2017, the Company entered into a Third Amending Agreement (“Third Amendment”) of the credit facility. The loan maximum was decreased to \$27,000,000 in conjunction with the disposition of assets held for sale (note 5). As part of the Third Amendment, loan covenants were amended such that the Company must enter into commodity swap agreements covering no less than 750 barrels per day of oil production for a period of 1 year and thereafter not less than 400 barrels per day of oil production for the following year thereafter and continuing for each year thereafter, each to be tested quarterly; provided that the price floor for all agreements be acceptable to the bank.

The Company is required to maintain an adjusted working capital ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. This ratio is defined as the ratio of (i) current assets, excluding financial derivatives, plus any undrawn availability under the credit facility to (ii) current liabilities, excluding financial derivatives and any amounts drawn under the credit facility. At December 31, 2017, the Company’s current ratio was 4.98:1.0 (December 31, 2016 – 4.7:1.0). The Company is also required to maintain a net debt to cash flow ratio no greater than 3.0:1.0 as at the last day of each fiscal quarter. At December 31, 2017, the Company’s net debt to cash flow ratio is 2.88. For the purposes of the covenant, net debt is defined by the agreement as working capital deficit plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent quarter annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses. The Company was in compliance with this covenant at December 31, 2017. The Company is also required to meet certain reporting requirements on a quarterly and annual basis and may not make dividend payments or redeem any outstanding shares in an amount exceeding \$1,350,000 in any fiscal year.

Subsequent to December 31, 2017, the Company entered into a Fourth Amending Agreement (“Fourth Amendment”) of the credit facility. As part of the Fourth Amendment, loan covenants were amended such that cash flow, for the purposes of the net debt to cash flow ratio, is defined effectively as cash flow from operating activities before changes in non-cash working capital for the two most recent quarters annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses. The Company’s next review is scheduled on or before May 31, 2018 but may be set at an earlier or later date at the discretion of the bank, and has yet to conclude as of the release of these financial statements.

12. DECOMMISSIONING LIABILITIES

The Company’s decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites and facilities. The total decommissioning liability is estimated based on the Company’s net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be \$28,387,999 as at December 31, 2017 (2016 - \$26,757,000) based on an undiscounted total future liability of \$49,254,000 (2016 - \$53,323,000) and discounted using a risk-free rate of 2.26% (2016 – 2.31%). The expected timing of decommissioning expenditures extends to 2067.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

The following table summarizes changes in the decommissioning liabilities:

	2017	2016
Balance, beginning of year	\$ 26,757,000	\$ 27,253,000
Change in discount rate	174,600	2,905,000
Change in cash flow estimates ¹	745,439	(3,837,311)
Abandonment expenditures	(750,040)	(191,689)
Liabilities acquired in corporate and asset acquisitions (note 5)	855,000	79,000
Accretion expense	606,000	549,000
Balance, December 31	\$ 28,387,999	\$ 26,757,000

¹ During the year ended December 31, 2017, the Company decreased anticipated years to decommission resulting from a review of third party and internal information. During the year ended December 31, 2016, the Company increased cash flow estimates and decreased anticipated years to decommission resulting from a review of third party and internal information

The fair value of certain oil and natural gas properties of the Company is \$nil. Accordingly, the change in discount rate and cash flow estimates related to these properties was recorded as an adjustment to depletion and depreciation expense for the year ending December 31, 2017 of \$105,400 (2016 - \$60,000).

The risk-free rate used in the calculation of the net present value has a significant impact on the carrying value of decommissioning liabilities. A 1% increase in the risk-free rate would decrease the decommissioning liability by \$5,904,000 at December 31, 2017.

13. TAXES

a) Deferred tax liability

At December 31, 2017, a deferred tax liability of \$4,281,000 (2016 - \$3,204,000) has been recognized in the consolidated financial statements. The following table provides a continuity of the components of the deferred tax liability:

	Balance, January 1, 2017	Recognized in income (loss)	Acquired in business combination (note 5)	Balance, December 31, 2017
Exploration and evaluation assets and property, plant and equipment	\$ 8,752,000	\$ (49,000)	\$ 921,000	\$ 9,624,000
Decommissioning liabilities	(7,224,000)	(440,000)	-	(7,664,000)
Commodity contracts	(315,000)	147,000	-	(168,000)
Non-capital loss carryforwards	(995,000)	498,000	-	(497,000)
Capital loss carryforwards	-	(271,856)	-	(271,856)
Valuation allowance for capital loss carryforwards	-	271,856	-	271,856
Deferred tax asset not recognized on acquisition	2,995,000	-	-	2,995,000
Other	(9,000)	-	-	(9,000)
Deferred tax liability	\$ 3,204,000	\$ 156,000	\$ 921,000	\$ 4,281,000

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

	Balance, January 1, 2016	Recognized in income (loss)	Balance, December 31, 2016
Exploration and evaluation assets and property, plant and equipment	\$ 8,640,000	\$ 112,000	\$ 8,752,000
Decommissioning liabilities	(7,358,000)	134,000	(7,224,000)
Commodity contracts	2,049,000	(2,364,000)	(315,000)
Non-capital loss carryforwards	(3,021,000)	2,026,000	(995,000)
Deferred tax asset not recognized on acquisition	2,995,000	-	2,995,000
Other	(16,000)	7,000	(9,000)
Deferred tax liability	\$ 3,289,000	\$ (85,000)	\$ 3,204,000

b) Deferred tax expense (recovery)

The amount for deferred tax expense (recovery) in the consolidated financial statements results from applying the combined federal and provincial tax rates to the Company's income before taxes as follows:

	2017	2016
Income (loss) before taxes	\$ 726,865	\$ (3,452,980)
Combined federal and provincial tax rates	27%	27%
Expected tax expense (recovery)	195,444	(932,305)
Differences from:		
Other	(170,333)	3,294
Stock based compensation	51,840	75,600
Revaluation of non-tax asset	48,060	737,000
Total tax expense (recovery)	\$ 125,011	\$ (116,411)
Total tax expense (recovery) is comprised of		
Current	\$ (30,989)	\$ (31,411)
Deferred	\$ 156,000	\$ (85,000)
Total tax expense (recovery)	\$ 125,011	\$ (116,411)

Total non-capital losses available to the Company are approximately \$1,873,000 and expire between 2025 and 2035.

14. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

b) Issued and outstanding common shares

	Number of Shares	Stated Value
Balance, December 31, 2016 and December 31, 2017	5,538,674	\$ 11,500,000

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

During the year ended December 31, 2017 the Board of Directors approved and paid total dividends of \$750,000 (2016 - \$1,300,000).

15. FINANCE INCOME AND EXPENSES, NET

Finance income and expenses, net is comprised of:

	2017	2016
Interest on bank debt	\$ 473,922	\$ 265,113
Stamping fees on bank debt	421,760	455,938
Financing fees	40,500	40,500
Accretion of decommissioning liabilities (note 12)	606,000	549,000
Interest and other income	(27,881)	-
Total	\$ 1,514,301	\$ 1,310,551

16. SHARE-BASED PAYMENTS

The Company adopted a stock option plan for officers, directors, employees and consultants for up to 15% of the issued and outstanding common shares at the time of the option grant. Under the plan, the Board of Directors sets the exercise price, expiry date and vesting terms for each option grant.

A summary of the stock options issued and outstanding as at December 31, 2017 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	700,400	\$ 2.25
Granted during the year	35,000	3.00
Outstanding, December 31, 2016	735,400	2.29
Granted during the year	50,000	4.00
Options settled during the year	(149,400)	2.28
Outstanding, December 31, 2017	636,000	\$ 2.42
Exercisable, December 31, 2017	380,667	\$ 2.27

The weighted average remaining contractual term of all outstanding options at December 31, 2017 is 2.1 years.

During the year ended December 30, 2017, the Company granted 50,000 stock options at an exercise price of \$4.00 per option. The options granted vest 1/3 on each of the twelve, twenty-four and thirty-six month anniversaries from the grant date and have a five-year term.

During the year ended December 31, 2016, the Company granted 35,000 stock options at an exercise price of \$3.00 per option. The options granted vest 1/3 on each of the twelve, twenty-four and thirty-six month anniversaries from the grant date and have a five-year term.

During the year ended December 31, 2017, the Company recorded stock-based compensation expense of \$192,000 (2016 - \$280,000) with a corresponding increase to contributed surplus.

During the year ended December 31, 2017, the Company settled 149,400 outstanding options for cash consideration of \$225,986. Any unvested portion of the options that were settled was accelerated, resulting in an additional \$2,400 in stock-based compensation expense being recorded. The consideration paid to settle the shares was recorded as a reduction to contributed surplus.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Number of options	50,000	35,000
Exercise price (\$/share)	\$ 4.00	\$ 3.00
Stock price on grant date	\$ 4.00	\$ 3.00
Expected life (years)	5.0	5.0
Risk-free interest rate	1.11%	0.80%
Expected volatility	70%	70%
Option fair value (per option)	\$ 2.31	\$ 1.72
Estimated forfeiture rate	0%	0%
Expected dividend yield	0%	0%

Expected volatility was determined based on a comparison to other companies in the business of oil and natural gas exploration, development and production. A forfeiture rate of 0% was used when recording stock-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period. Stock price on date of grant was determined by comparing key multiples on similar sized and commodity focused public entities, with focus on market value to earnings before interest, depreciation, taxes and amortization.

Subsequent to December 31, 2017, the Company granted 66,000 stock options at an exercise price of \$3.50 per option. The options granted vest 1/3 on each of the twelve, twenty-four and thirty-six month anniversaries from the grant date and have a five-year term.

17. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

Source/(use) of cash	2017	2016
Accounts receivable	\$ (211,575)	\$ 226,617
Deposits and prepaid expenses	(22,329)	81,334
Income taxes payable	-	(291,000)
Accounts payable and accrued liabilities	896,364	(643,894)
Changes in non-cash working capital	\$ 662,460	\$ (586,943)
	2017	2016
The above figure relates to:		
Operating activities	\$ 896,010	\$ (744,985)
Investing activities	(233,550)	158,042
Changes in non-cash working capital	\$ 662,460	\$ (586,943)
Interest paid	\$ 895,682	\$ 721,051
Taxes paid	\$ -	\$ 259,589

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

18. COMMITMENTS

At December 31, 2017, the Company had the following commitments:

Minimum future payments for operating leases:

	Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Head office lease (base rent)	\$ 196,000	\$ 735,000	\$ -	\$ 931,000

Physical delivery electricity services contract:

	Average monthly contracted kW	Term	Fixed Price
Electricity	541 kW	January 1, 2018 to December 31, 2018	4.559 ¢/kWh

19. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. 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 employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- market risk; and
- liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the Company's risk management policies or processes during the year ended December 31, 2017 or 2016.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at year end is as follows:

	2017	2016
Accounts receivable ¹	\$ 3,987,829	\$ 4,015,711
Deposits	104,848	143,901
Acquisition deposits	710,000	3,700,000
Reclamation deposits	141,300	141,300
Due from related party	1,562,105	-
Total	\$ 6,506,082	\$ 8,000,912

¹ Accounts receivable includes a current portion of \$3,872,663 (2016 - \$3,661,088) and a long-term portion of \$115,166 (2016 - \$354,623).

Cash and cash equivalents:

Cash and cash equivalents consist of amounts on deposit with Canadian chartered banks and undeposited funds. The Company manages credit exposure of cash and cash equivalents by selecting financial institutions with high credit ratings.

Accounts receivable:

Substantially all of the Company's oil and natural gas production is marketed under standard industry terms. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit worthy purchasers. Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs.

The Company has a balance due from a joint interest partner that is facing financial difficulties. The Company has taken action to recover the amounts that are owed, including, taking revenue in-kind for properties which the joint interest partner has a working interest in, which is agreed to by both parties. Management believes the entire amount due from the joint interest partner will be received, however, \$115,166 (2016 - \$354,623) of the balance has been classified as long-term at December 31, 2017 as this amount is expected to be received in 2019.

The Company's accounts receivable are aged as follows:

	2017	2016
Current (less than 90 days)	\$ 3,126,068	\$ 3,633,805
Past due (more than 90 days)	861,761	381,906
Total	\$ 3,987,829	\$ 4,015,711

As at December 31, 2017 and 2016, management believes all receivables net of allowance for bad debt will be collected.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

Reclamation deposits and other deposits:

Reclamation deposits consist of amounts on deposit with the Provinces of Alberta, Saskatchewan and British Columbia. The Company believes the credit risk associated with these deposits and other deposits is minimal.

Subsequent to December 31, 2017, the acquisition deposits of \$710,000 was applied against the purchase prices upon closing (note 22).

Commodity contracts:

The Company manages the credit risk exposure related to commodity contracts, if in an asset position, by selecting investment grade counterparties and by not entering into contracts for trading or speculative purposes. At December 31, 2017, the counterparty was the Company's lending institution, which is a financial institution with a strong credit rating.

Due from related party:

The Company manages the credit risk exposure from related party by monitoring the activities of the related party.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return. There have been no changes to the Company's policies for managing foreign currency risk, interest rate risk and commodity price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not subject to interest rate risk related to amounts due from related party as the interest rates are on a fixed basis. The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its credit facility, which bears a floating rate of interest. At December 31, 2017 the total amount drawn on the credit facility under a bankers' acceptance ("BA") was \$15,000,000 which is at a fixed rate basis, therefore not subject to interest rate risk until renewal of the BA's. The remaining \$1,400,000 drawn under the credit facility bears interest at variable rates and is subject to interest rate risk which the Company has determined to be insignificant.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also North American and global economic events that dictate the levels of supply and demand. The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company currently has the following commodity contracts outstanding at December 31, 2017.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	250bbls/day	January 1, 2018 to March 31, 2018	\$ 62.10	\$ 45.00	WTI - NYMEX
Crude Oil	250bbls/day	April 1, 2018 to June 30, 2018	\$ 60.75	\$ 45.00	WTI - NYMEX
Crude Oil	250bbls/day	July 1, 2018 to September 30, 2018	\$ 60.25	\$ 45.00	WTI - NYMEX
Crude Oil	250bbls/day	October 1, 2018 to December 31, 2018	\$ 60.10	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	January 1, 2018 to March 31, 2018	\$ 61.45	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	April 1, 2018 to September 30, 2018	\$ 61.00	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	July 1, 2018 to September 30, 2018	\$ 60.30	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	October 1, 2018 to December 31, 2018	\$ 60.15	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2018 to March 31, 2018	\$ 60.30	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2018 to June 30, 2018	\$ 60.08	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 55.20	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 55.05	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2018 to September 30, 2018	\$ 56.65	\$ 47.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 55.65	\$ 47.50	WTI - NYMEX

The commodity contract had a total fair value at December 31, 2017 of a liability of \$623,000 (December 31, 2016 – \$1,167,000). The corresponding unrealized gain for the year ended December 31, 2017 was \$544,000 (2016 – loss of \$8,757,000) and is included in the statement of income (loss) and comprehensive income (loss). Total realized gains for the year ended December 31, 2017 were \$1,465,140 (2016 - \$7,628,762) and are also included in the statement of income (loss) and comprehensive income (loss).

For the year ended December 31, 2017, a \$1.00/bbl increase/decrease in oil prices would have a negative/positive impact on net income (loss) of approximately \$110,000.

Subsequent to December 31, 2017, the Company entered into the following commodity contracts:

Swaps:

Product	Notional Volume	Term	Fixed Price (CAD/bbl)	Index
Crude Oil	100bbls/day	February 1, 2018 to December 31, 2018	\$ 76.10	WTI - NYMEX
Crude Oil	50bbls/day	May 1, 2018 to December 31, 2018	\$ 85.50	WTI - NYMEX
Crude Oil	50bbls/day	May 1, 2018 to December 31, 2018	\$ 85.85	WTI - NYMEX

USD Swaps:

Product	Notional Volume	Term	Fixed Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.85	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 57.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.25	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 57.00	WTI - NYMEX

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 60.32	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 66.00	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 63.10	\$ 55.00	WTI - NYMEX

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	200bbls/day	April 1, 2018 to December 31, 2018	\$ (4.75)	Edmonton Light vs. WTI - NYMEX

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The Company's financial liabilities consist of bank overdraft, accounts payable and accrued liabilities and bank debt, all of which are due within a year. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas sales on the 25th of each month.

At December 31, 2017, the Company had negative working capital (defined as current assets less current liabilities) of \$14,573,417, but positive working capital of \$1,826,583 excluding the credit facility. In addition, the Company is required to make certain minimum payments under other commitments (note 18). The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows. The Company also has a credit facility (note 11) to facilitate the management of liquidity risk. At December 31, 2017, \$10,600,000 was available under the credit facility. The Company's credit facility is a demand loan and as such the bank could demand repayment at any time. Management is not aware of any indications that the bank would demand repayment in the next 12 months.

At December 31, 2017, the Company was in compliance with all covenants related to the credit facility (note 11). The Company may need to conduct equity issues or issue debt if liquidity risks increase in a given period. Liquidity risks may increase as a result of a change in the amounts settled monthly from the commodity contract (note 19(b)), among other items. The Company believes it has sufficient funds to meet foreseeable obligations by actively monitoring its credit facilities through use of the revolving debt, coordinating payment and revenue cycles each month, and an active commodity hedge program to mitigate commodity price risk and secure cash flows.

20. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- To maximize shareholder return through enhancing share value.

The Company considers its capital structure to be shareholders' equity and related party or third party financing. The Company makes adjustments by monitoring economic conditions, investment opportunities, debt levels, operating costs and investment opportunities. Adjustments may include a combination of: (1) issue share new shares through a private offering; (2) issue fixed or floating rate debt; (3) enter into joint arrangements with third parties. The Company is currently subject to externally imposed capital requirements related to its credit facility (note 11).

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

The Company monitors capital based on two financial ratios: adjusted working capital and net debt to cash flow ratio.

Adjusted working capital is defined as current assets less current liabilities (excluding bank loan and commodity contracts).

Adjusted working capital

	2017	2016
Current assets	\$ 5,600,998	\$ 3,804,989
Current liabilities	(3,251,415)	(2,557,282)
Adjusted working capital surplus	\$ 2,349,583	\$ 1,247,707

Overall adjusted working capital has continued to be positive for the year ended December 31, 2017.

The net debt to cash flow ratio represents the time period it would take to pay off the net debt if no further capital expenditures were incurred and if funds flow from operating activities remained constant. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital (excluding fair value of commodity contracts) divided by cash flows from operating activities before changes in non-cash working capital (“funds flow from operating activities”), normalized for extraordinary and nonrecurring earnings, gains, and losses.

Net debt to cash flow ratio

The following table summarizes the Company’s net debt to cash flow ratio calculation:

	December 31, 2017	December 31, 2016
Bank debt	\$ (16,400,000)	\$ (18,675,000)
Adjusted working capital surplus	2,349,583	1,247,707
Net debt	\$ (14,050,417)	\$ (17,427,293)

The decrease in net debt from December 31, 2016 was a direct result of the Company using positive operating cash flows to repay bank debt during the year.

	Three months ended December 31, 2017 (unaudited)	Three months ended December 31, 2016 (unaudited)
Funds flow from operating activities	\$ 1,217,673	\$ 2,370,768
Annualized	\$ 4,870,692	\$ 9,483,072
Net debt to cash flow ratio	2.88 to 1.0	1.84 to 1.0

The Company’s strategy is to monitor the ratio and the ratio can, and will, fluctuate based on the timing of commodity prices and the mix of exploratory and development drilling.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

21. RELATED PARTY TRANSACTIONS

(a) Transactions

Except as discussed elsewhere, the Company had the following transactions with related parties:

- During the year ended December 31, 2017, the Company incurred charges of \$368,763 (2016 – charged \$239,373) to a company with common officers and directors for management fees, office space, subscriptions and supplies which was recorded as a increase or reduction to general and administrative expense and was charged \$431,717 (2016 - \$19,109) for net non-operated gas sales and gas processing fees which is included in operating and transportation expense. During the year ended December 31, 2017, the related party marketed natural gas production for the Company, with total receipts of \$2,083,188 (2016 - \$nil) which is included in oil and natural gas sales on the statement of income (loss) and comprehensive income (loss). During the year ended December 31, 2017, the Company was also charged \$1,038,100 (2016 - \$419,711) for propane purchases and distribution from this company which is included in operating and transportation expenses on the statement of income (loss) and comprehensive income (loss). As at December 31, 2017, \$nil (2016 - \$48,205) is included within accounts receivable and \$259,686 (2016 - \$182,998) is included within accounts payable with respect to these charges.
- During year ended December 31, 2017, the Company received funds of \$408,000 from a company related through common officers and directors. The funds related to undeveloped lands acquired by the Company that were sold at net book value with no gain/loss recognized.
- During the year ended December 31, 2017, the Company charged \$476,938 (2016 - \$nil) to a company with common shareholders, officers and directors for management fees, office space, subscriptions and supplies which was recorded as a reduction to general and administrative expense. As at December 31, 2017, \$150,990 (2016 - \$nil) is included within accounts receivable.
- During the year ended December 31, 2017, the Company advanced funds of \$3,000,000 to a company with common shareholders, officers and directors. The amount was due on demand, unsecured and bore interest at 3.00% per annum with interest payments due on or before maturity of the loan. Under the terms on the Company's revolving operating demand loan, the bank provided consent to the Company for the loan contingent of the amount being repaid on or before September 30, 2017. For the year ended December 31, 2017, the Company earned interest of \$15,800 (2016 - \$nil) which is included in finance income and expenses, net, on the statement of income (loss) and comprehensive income (loss). On July 11, 2017, the loan and interest were repaid in full.

(b) Key management compensation

The remuneration of the key management personnel of the Company, which includes directors, officers and vice-presidents is set out below in aggregate:

	2017	2016
Salaries, bonuses and consulting fees	\$ 1,124,700	\$ 567,800
Stock based compensation	137,711	180,398
Total key management compensation	1,262,411	748,198

Total personnel expenses for employees, directors and management was \$2,381,600 for the year ended December 31, 2017 (2016 - \$969,800) of which \$1,860,600 (2016 - \$651,800) has been included in general and administrative expenses, \$346,000 (2016 - \$318,000) has been included in operating and transportation expenses and \$175,000 (2016 - \$nil) has been included in transaction costs.

Predator Oil Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

(amounts in Canadian dollars)

22. SUBSEQUENT EVENTS

On January 15, 2018, the Company closed a purchase and sale agreement with a public company to acquire a 64.441% working interest in the Wabasca river pipeline system and 87.5% working interest in the North Senex pipeline, both located in the Red Earth area of Alberta for total cash consideration of \$5,000,000. The Company paid a deposit of \$500,000 prior to December 31, 2017, which was applied against the purchase price upon closing. The purchase price for these assets was subject to customary closing adjustments between the effective date of the sale of October 1, 2017 and the closing date. No Rights of First Refusal were exercised with regards to this transaction.

On January 18, 2018, the Company closed a purchase and sale agreement with a public company to acquire oil and gas rights related to undeveloped lands in the Clearwater area of Alberta for total cash consideration of \$2,100,000, before customary closing adjustments between the effective date of the sale, December 1, 2017, and closing. The Company paid a deposit of \$210,000 prior to December 31, 2017, which was applied against the purchase price upon closing. The Company acquired a 50% working interest, and was reimbursed by the Company's joint venture partner in the Clearwater area for the joint venture partner's share of the consideration. In addition, the Company acquired undeveloped lands in the Clearwater area of Alberta at Crown land sales for gross consideration of \$3,431,463, for which the joint venture partner will reimburse the Company their 50% working interest.

On January 26, 2018, the Company loaned a company with common officers and directors \$400,000. The amount bears interest at 5.00% per annum, accrued monthly, with interest payments due on or before maturity of the loan, March 31, 2018. Under the terms on the Company's revolving operating demand loan, the bank provided consent to the Company for the loan contingent on the amount being repaid on or before March 31, 2018. The maturity of the loan was subsequently extended to May 31, 2018. Subsequent to December 31, 2017, the loan and interest were repaid in full.

On March 23, 2018, the Company closed a purchase and sale agreement with a company with common shareholders, officers and directors to acquire oil and natural gas rights related to undeveloped lands in the Doig area of British Columbia for total consideration of \$650,000. Consideration consisted of \$500,000 cash and settlement of \$150,000 in amounts owed to the Company. The purchase price for these assets was subject to customary closing adjustments between the effective date of the sale March 1, 2018 and the closing date.

On April 6, 2018, the Company executed a license to share occupancy agreement with a company with common directors for its head office space, replacing the sub-sublease agreement executed on March 31, 2017. The term of the lease is four years and one month, commencing July 1, 2018 and ending July 30, 2022. The company will be required to make monthly payments due on the first of each month. Basic annual rental rate per square foot of rentable area (6,650 square feet) will be \$13.00, for total annual base rent of \$86,450.

On April 30, 2018, the Company closed a purchase and sale agreement with a public company to acquire a 10.068% working interest in the Wabasca river pipeline system for total cash consideration of \$705,000. The acquisition brings the Company's total working interest in the Wabasca river pipeline system to 74.509%. The purchase price for these assets was subject to customary closing adjustments between the effective date of the sale of March 1, 2018 and the closing date. No Rights of First Refusal were exercised with regards to this transaction.

Predator Oil Ltd. – Financial and Operating Highlights

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Financial				
Oil and natural gas sales	\$ 6,276,681	\$ 6,613,948	\$ 28,289,467	\$ 20,961,301
Total revenues, net of royalties ⁽¹⁾	5,134,838	5,642,527	28,293,860	19,587,072
Cash flows from operating activities	1,127,095	3,664,946	6,463,600	11,636,829
Income (loss)	(1,073,072)	(536,735)	598,854	(3,336,569)
Capital expenditures	4,657,830	499,901	36,440,187	3,098,030
Proceeds from dispositions ⁽²⁾	\$ 8,352,653	\$ 42,306	34,380,459	614,698
Working capital deficit (end of period) ⁽³⁾			14,573,417	18,451,293
Shareholders' equity (end of period)			\$ 26,863,521	\$ 27,048,653
Shares outstanding (end of period)			5,538,674	5,538,674
Options outstanding (end of period)			636,000	735,400
Weighted-average basic shares outstanding	5,538,674	5,538,674	5,538,674	5,538,674
Operations ⁽⁴⁾				
Production				
Natural gas (Mcf/d)	73	112	2,403	133
Natural gas liquids (NGL) (bbls/d)	1	0	144	0
Crude oil (bbls/d)	1,111	1,324	1,214	1,240
Total (boe/d)	1,124	1,343	1,759	1,263
Benchmark prices				
Natural gas				
AECO (Cdn\$/GJ)	\$ 1.36	\$ 1.84	\$ 1.46	\$ 1.32
Crude oil				
Canadian Light (Cdn\$/bbl)	61.41	54.03	55.09	45.99
Average realized prices ⁽⁵⁾				
Natural gas (per Mcf)	1.36	2.95	2.86	1.91
NGL (per bbl)	-	-	23.20	-
Crude oil (per bbl)	61.17	53.97	55.37	45.91
Operating netback (per boe) ⁽⁶⁾	\$ 23.83	\$ 21.60	\$ 13.28	\$ 14.15

⁽¹⁾ Including gains and losses on commodity contracts

⁽²⁾ Includes \$3,487,981 in proceeds on disposal of investments for the three months and year ended December 31, 2017

⁽³⁾ Working capital deficit includes commodity contract liability of \$523,000 (December 31, 2016 – commodity contract liability of \$1,024,000). Excluding this, the working capital deficit would be \$14,050,417 (December 31, 2016 – \$17,427,293). Working capital deficit also includes revolving operating demand loan of \$16,400,000 (December 31, 2016 - \$18,675,000).

⁽⁴⁾ For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".

⁽⁵⁾ Before hedging.

⁽⁶⁾ See "Non-GAAP measures".

2017 Corporate Highlights

- Achieved average production of 1,759 boe per day for the year and 1,124 boe per day for the fourth quarter, 69 and 99 percent oil, respectively. The average production in 2017 was higher due to production from the West Central assets the Company acquired on January 31, 2017 and disposed of in April 2017. The average production for the Company's core Red Earth area has remained fairly consistent, underscoring the benefits of the Company's low-decline production base.
- Generated strong operating netbacks of \$13.28/boe for the year, including very strong fourth quarter operating netback of \$23.83 per boe compared to \$21.60 per boe in the fourth quarter of 2016. Compared to the 2016 year-end, the operating netback for the year was fairly consistent. The slightly lower operating netback in 2017 is mainly due to the West Central assets that were acquired and disposed in 2017.
- Achieved cash flows from operating activities of \$6.5 million on oil and natural gas sales of \$28.3 million during 2017.
- Acquired assets in the West Central (Gilby/Niton) area of Alberta for consideration of \$30,200,905 in January 2017 which were sold in two transactions in February and April for proceeds of \$32,565,936. This resulted in the Company recognizing a bargain purchase gain of \$2,489,031.
- Incurred operating costs of \$30.19 per boe in the fourth quarter and \$25.91 per boe in the full year. Annual operating costs per unit of production declined by approximately six percent from 2016.
- The Company acquired a significant land position in the Clearwater area of Alberta during 2017 of approximately \$3.3 million, and continues to acquire additional lands subsequent to 2017. The Company has a joint venture partner in the lands, a private company, where each company holds a 50% working interest. The Company plans to drill several wells in the area over the next few years. The Company is confident it will be able to generate the strong payback and operating netbacks that other companies are generating in the area.

Management's Discussion and Analysis

This management's discussion and analysis (MD&A) of operating and financial results of Predator Oil Ltd. ("Predator" or the "Company") is dated December 5, 2018 and is based on currently available information. It should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016. Unless otherwise noted, all financial information is presented in Canadian dollars, and is in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee as set out in Part 1 of the Chartered Professional Accountants Canada Handbook – Accounting.

Refer to the end of the MD&A for commonly used abbreviations.

Readers should read "Forward-Looking Statements" at the end of the MD&A, which explains the basis for and limitations of statements throughout this report that are not historical facts and may be considered "forward-looking statements" under securities regulations.

Description of Business

The Company is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in Western Canada. The Company's focus is to generate and develop its own prospects, acquire oil and natural gas properties directly and/or through farm-in, and participate with joint venturers and other industry partners in oil and natural gas exploration and development in Alberta.

Financial and Operating Results

Production

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Daily average volume				
Natural gas (<i>Mcf/d</i>)	73	112	2,403	133
NGL (<i>bbls/d</i>)	1	-	144	-
Crude oil (<i>bbls/d</i>)	1,111	1,324	1,214	1,240
Total sales (<i>boe/d</i>)	1,124	1,343	1,759	1,263
Total sales (<i>boe</i>)	103,396	123,528	641,889	462,101
Production weighting				
Natural gas	1%	1%	23%	2%
NGL	0%	0%	8%	0%
Crude oil	99%	99%	69%	98%
	100%	100%	100%	100%

Production was higher for 2017 year compared to the prior period, mainly due to the production that was realized from the West Central assets. Production on the Company's remaining core area in Red Earth was consistent from year to year. Production for the fourth quarter was only slightly lower than in the comparative period due to the low-decline, long-life nature of Predator's production base. Production declines are mainly due to natural production declines and shut-in production, primarily due to workovers

being performed in the Company's core area in late 2017. The majority of Gas and NGL production during 2017 came from the West Central assets that were acquired and disposed during the year.

Sales

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Natural gas	8,664	30,576	2,508,185	94,901
NGL	4,718	5,879	1,223,568	21,476
Crude oil	6,263,299	6,577,493	24,557,714	20,844,924
Total	6,276,681	6,613,948	28,289,467	20,961,301

Average realized prices before hedging

Natural gas (\$/Mcf)	1.30	2.95	2.86	1.95
NGL (\$/bbl)	43.79	-	23.25	-
Crude oil (\$/bbl)	61.30	54.00	55.42	45.92
Combined average (\$/boe)	60.71	53.54	44.07	45.36

The Company realized improved oil prices during 2017 which combined with the additional production from the West Central assets, resulting in an increase in revenues from 2016 of approximately \$7.3 million. Oil prices continued to improve in the fourth quarter of 2017 which helped offset the decline in production.

Over the short term, the Company anticipates continued elevated price volatility. With respect to oil prices, a significant factor is the unknown impact of renewed drilling activities for shale oil wells in the United States, as well as global inventory levels. The Company anticipates that there will be continued price volatility for at least the next several quarters as various dynamics play out.

The Company's realized prices were consistent with the changes in the benchmark prices.

Royalties

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Royalties	690,559	705,045	3,137,014	1,679,592
Per boe	6.68	5.71	4.89	3.63
Percentage of oil and natural gas sales	11.0%	10.7%	11.1%	8.0%

Predator's royalty burden includes crown, gross over-riding and freehold royalties applicable on the Company's production sales.

The royalty rate as a percentage of sales was higher in 2017 than in 2016 due to increased commodity reference pricing used by the Alberta government to calculate royalties. The fourth quarter royalty rate was fairly consistent with the fourth quarter of 2016, with the slight increase again due to improved commodity prices.

Operating and Transportation Expense

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating and transportation	3,121,886	3,240,590	16,629,094	12,743,714
Per boe	30.19	26.23	25.91	27.58

Operating and transportation expenses increased on a total basis mainly due to the additional opex associated with the West Central properties while they were owned and operated by the Company from January 31, 2017 to April 28, 2017. With respect to the fourth quarter of 2017 compared to 2016, total operating expenses were decreased due to concentrated field efforts throughout the Company's properties to continue reducing operating costs. Operating and transportation expenses per boe were higher in the fourth quarter of 2017 compared to 2016 due to the significant workovers performed by the Company in late 2017. This resulted in additional operating costs while production was shut in for the work to be performed. The work was done in order to bring additional production online. Management continues to look at production and operating costs to identify additional efficiencies.

Risk Management

Predator's cash flow is highly variable, in large part because oil and natural gas are commodities whose prices are determined by worldwide and/or regional supply and demand, transportation constraints, weather conditions, availability of alternative energy sources and other factors, all of which are beyond Predator's control. World prices for oil and natural gas have fluctuated widely in recent years.

Oil prices have been slightly improving since the beginning of 2016 and continued this trend in 2017 with average benchmark prices increasing from \$45.99 in 2016 to \$55.09 in 2017.

Management of cash flow variability is an integral component of the Company's business strategy. Business conditions are monitored regularly and reviewed with the Board of Directors to establish risk management guidelines used by management in carrying out the Company's strategic risk management program.

The Company has elected not to use hedge accounting and, accordingly, the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the income for that period. As a result, income may fluctuate considerably.

At December 31, 2017, Predator had the following commodity contracts, with a total mark-to-market liability of \$623,000.

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	250bbls/day	January 1, 2018 to March 31, 2018	\$ 62.10	\$ 45.00	WTI - NYMEX
Crude Oil	250bbls/day	April 1, 2018 to June 30, 2018	\$ 60.75	\$ 45.00	WTI - NYMEX
Crude Oil	250bbls/day	July 1, 2018 to September 30, 2018	\$ 60.25	\$ 45.00	WTI - NYMEX
Crude Oil	250bbls/day	October 1, 2018 to December 31, 2018	\$ 60.10	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	January 1, 2018 to March 31, 2018	\$ 61.45	\$ 45.00	WTI - NYMEX

Crude Oil	150bbls/day	April 1, 2018 to September 30, 2018	\$ 61.00	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	July 1, 2018 to September 30, 2018	\$ 60.30	\$ 45.00	WTI - NYMEX
Crude Oil	150bbls/day	October 1, 2018 to December 31, 2018	\$ 60.15	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2018 to March 31, 2018	\$ 60.30	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2018 to June 30, 2018	\$ 60.08	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 55.20	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 55.05	\$ 45.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2018 to September 30, 2018	\$ 56.65	\$ 47.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2018 to December 31, 2018	\$ 55.65	\$ 47.50	WTI - NYMEX

Commodity contracts are considered financial instruments, and the resulting derivative financial asset or liability was recorded on the Company's balance sheet, with the unrealized gain or loss being recorded on the statement of loss and comprehensive loss.

	Three months ended		Year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	\$	\$	\$	\$
Realized gain (loss) on commodity contracts	(155,575)	1,526,984	1,465,140	7,628,762
Unrealized loss on commodity contracts	(809,000)	(2,236,000)	544,000	(8,757,000)

The realized loss on commodity contracts during the three months ended December 31, 2017 was due to oil commodity prices being higher than the contract price. The unrealized loss for the same period was a result of increased oil 2017 strip prices during the quarter.

The realized gains on commodity contracts during the year ended December 31, 2017 were due to average oil commodity prices being lower than the contract price. The unrealized gain for the same period was a result of decreases in oil strip prices between the dates the contracts were entered into and December 31, 2017.

Subsequent to December 31, 2017 the Company entered into the following hedges:

Swaps:				
Product	Notional Volume	Term	Fixed Price (CAD/bbl)	Index
Crude Oil	100bbls/day	February 1, 2018 to December 31, 2018	\$ 76.10	WTI - NYMEX
Crude Oil	50bbls/day	May 1, 2018 to December 31, 2018	\$ 85.50	WTI - NYMEX
Crude Oil	50bbls/day	May 1, 2018 to December 31, 2018	\$ 85.85	WTI - NYMEX
USD Swaps:				
Product	Notional Volume	Term	Fixed Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.85	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 57.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2019 to March 31, 2019	\$ 58.25	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 57.00	WTI - NYMEX

USD Collars:

Product	Notional Volume	Term	Collar Cap (USD/bbl)	Collar floor (USD/bbl)	Index
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 60.32	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2019 to June 30, 2019	\$ 66.00	\$ 55.00	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2019 to September 30, 2019	\$ 63.10	\$ 55.00	WTI - NYMEX

Differential:

Product	Notional Volume	Term	Fixed Price Differential (USD/bbl)	Index
Crude Oil	200bbls/day	April 1, 2018 to December 31, 2018	\$ (4.75)	Edmonton Light vs. WTI - NYMEX

General and Administrative (G&A)

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
G&A	1,455,975	591,227	3,727,280	1,810,634
G&A expense per boe	14.08	4.79	5.81	3.92

G&A expenses increased in 2017 compared to the prior periods mainly due to an increase in staff, especially during the period the Company owned and operated the West Central assets which required additional staff and consultants. The increase was also due to an increase in rent as the Company leased additional office space for the increased staff. The Company also incurred additional computer and software expenses related to licenses and access to additional programs that were implemented in 2017. G&A in 2017 included one-time employee compensation costs of \$835,901, which was distributed in the fourth quarter. Without these one-time costs G&A would have been \$620,074 (\$6.00 per boe) and \$2,891,379 (\$4.50 per boe), respectively, for the three month period and year ended December 31, 2017.

Stock-Based Compensation

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Stock-based compensation	50,000	73,000	192,000	280,000

The decrease in stock-based compensation from the comparative periods in 2016 is largely a result of a minimal amount new stock options being granted during the year ended December 31, 2017. During the fourth quarter of 2017, the Company settled 149,400 options for cash consideration of \$225,986. This accelerated the expensing of stock options as they became fully recognized, however, the impact on stock-based compensation was negligible as the options were almost fully vested. Management believes this settlement of options provides benefits to shareholders, as it enables the Company to issue additional options to employees without depleting available financial resources or increasing potential share dilution for existing and prospective shareholders.

The Company granted 50,000 stock options to purchase common shares during the year ended December 31, 2017. There were 636,000 options outstanding at December 31, 2017, with 380,667 being exercisable.

Exploration and Evaluation (E&E) Expenditures

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
E&E expense	-	-	206,000	707,000

All E&E expenditures are non-cash mineral rights expiries relate to mineral rights voluntarily relinquished by the Company as a result of low commodity prices.

Depletion and Depreciation (D&D)

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
D&D	1,391,000	1,526,000	5,408,600	6,099,000
Per boe	13.45	12.35	8.43	13.20

The Company's D&D was largely unchanged from the comparative periods in 2016, with a slight decrease due to an increase in reserves assigned to the Company's assets decreasing the depletion rate. The decrease in D&D per boe from 2017 to 2016 is due to the impact of the production from the West Central assets acquired and sold during the year. As these assets were classified as assets held for sale, they were not depleted while the Company owned and operated the assets.

Bargain Purchase Gain

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Bargain purchase gain	(197,720)	-	2,489,031	-

The bargain purchase gain during the year ended December 31, 2017 pertains to the transactions involving the West Central assets. The Company acquired the West Central assets for cash consideration of \$30,200,905. The Company sold a portion of the oil and gas rights acquired related to undeveloped lands for total cash consideration of \$700,000. The Company then sold the remaining West Central assets to a public for total consideration of \$32,565,936, consisting of \$29,645,000 cash and a deemed value of \$2,920,936 of share consideration. The deemed value was determined by the trading price of the public company's common share price on the day of closing, multiplied by the number of shares received. The consideration was reduced by the fair value of the natural gas swap that were assigned to the public company valued at \$1,242,941. Transaction costs in the amount of \$343,523 were incurred, of which \$277,854 was recorded during the year ended December 31, 2017 and the remainder recorded in the year ended December 31, 2016 when the costs were incurred.

Finance Income and Expenses, Net

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest on bank debt	76,643	62,529	473,922	265,113
Stamping fees on bank debt	74,575	75,240	421,760	455,938
Financing costs	-	-	40,500	40,500
Interest and other income	(7,104)	-	(27,881)	-
Cash finance income and expenses	144,114	137,769	908,301	761,551
Accretion of decommissioning liabilities	157,000	127,500	606,000	549,000
Non-cash finance expense	157,000	127,500	606,000	549,000
Total finance income and expenses	301,114	265,269	1,514,301	1,310,551

Interest on bank debt and stamping fees relates to interest and fees paid to Predator's bankers to service the bank debt and bank overdraft. Interest on bank debt increased in the 2017 periods over the 2016 comparative periods primarily due to a higher average balance being drawn on during the year ended 2017. Interest rates are based on the Company's most recent quarter net debt to cash flow ratio. Net debt is defined by the agreement as working capital deficit plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent quarter annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses.

Financing costs relate to a combination of credit facility renewal fees, bank due diligence fees, and legal fees associated with credit facility renewals.

Deferred Income Tax

Deferred income tax was an expense of \$305,000 and \$156,000, respectively, for the three months and year ended December 31, 2017, compared to recoveries of \$885,000 and \$85,000 in the respective comparative periods in 2016. The expenses in 2017 were mainly due to the gains recognized on the disposal of the West Central assets which reduced resource pools along with a reduction in non-capital losses due to the Company achieving taxable income of \$1.8 million.

Income (Loss)

The Company incurred a loss of \$1,073,072 and realized income of \$598,854, respectively, for the three months and year ended December 31, 2017, compared to losses of \$536,735 and \$3,336,569 for the respective comparative periods in 2016. The loss in the fourth quarter of 2017 was mainly due to the workovers being performed late in 2017. The current year's increase in income resulted primarily from the bargain purchase gain and increased overall production.

Selected Annual Information

Years ended December 31,	2017	2016	2015
	\$	\$	\$
Oil and natural gas sales	28,289,467	20,961,301	23,013,590
Royalties	(3,137,014)	(1,679,592)	(1,670,053)
Processing and other income	1,132,267	1,433,601	1,533,617
Realized gain on commodity contracts	1,465,140	7,628,762	6,744,864
Unrealized gain (loss) on commodity contracts	544,000	(8,757,000)	(2,839,873)
Total revenue, net of royalties	28,293,860	19,587,072	26,782,145
Cash flows from operating activities	6,463,600	11,636,829	13,862,416
Income (loss)	598,854	(3,336,569)	2,863,471
Total assets	79,806,935	79,408,935	88,425,937
Total non-current financial liabilities ⁽¹⁾	100,000	143,000	-

⁽¹⁾ Excludes decommissioning liabilities and deferred tax liabilities.

Supplemental Information

The following tables summarize key financial and operating information for the periods indicated:

Cash Flows from Operating Activities

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Income (loss)	(1,073,072)	(536,735)	598,854	(3,336,569)
Non-cash items:				
Unrealized (gain) loss on commodity contracts	809,000	2,236,000	(544,000)	8,757,000
E&E	-	-	206,000	707,000
D&D	1,391,000	1,526,000	5,408,600	6,099,000
Bargain purchase gain	197,720	-	(2,489,031)	-
Realized loss on investment	-	-	2,013,750	-
Finance expense	157,000	127,500	606,000	549,000
Deferred income tax expense (recovery)	(305,000)	885,000	156,000	(85,000)
Stock-based compensation	50,000	73,000	192,000	280,000
Gain on disposal of assets	(70,000)	(42,305)	(70,000)	(42,305)
Cash abandonment expenditures	(8,976)	-	(750,040)	(191,689)
Change in long-term accounts receivable	154,526	(354,623)	239,457	(354,623)
Change in non-cash working capital	(175,103)	(248,891)	896,010	(744,985)
Funds flow from operations	1,127,095	3,664,946	6,463,600	11,636,829

Netback Analysis

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$/boe	\$/boe	\$/boe	\$/boe
Average sales price	60.71	53.54	44.07	45.36
Royalties	(6.68)	(5.71)	(4.89)	(3.63)
Operating and transportation	(30.19)	(26.23)	(25.91)	(27.58)
Operating netback	23.83	21.60	13.28	14.15

Selected Quarterly Information

Three months ended	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016
Financial								
(\$000s)								
Oil and natural gas sales	6,277	5,120	7,313	9,580	6,614	5,279	5,175	3,894
Cash flows from operating activities	1,127	1,037	633	3,666	3,665	3,893	1,625	2,454
Income (loss)	(1,073)	(2,705)	232	4,145	(537)	(723)	(1,205)	(877)
Capital expenditures	4,658	2,465	(1,066)	30,392	500	1,919	155	524
Total assets (<i>end of quarter</i>)	79,807	79,443	86,185	133,098	79,409	84,219	86,040	87,134
Working capital deficit, excluding commodity contracts (<i>end of quarter</i>)	14,050	18,768	10,114	11,295	17,427	15,884	17,239	20,708
Shareholders' equity (<i>end of quarter</i>)	26,864	28,863	31,520	31,240	27,049	28,812	29,463	30,597
Weighted-average basic shares outstanding (<i>000s</i>)	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539
Operations								
Production								
Natural gas (<i>Mcf/d</i>)	73	91	3,358	6,202	112	105	152	151
NGL (<i>bbls/d</i>)	1	2	238	410	-	-	-	-
Crude oil (<i>bbls/d</i>)	1,111	1,128	1,166	1,389	1,324	1,210	1,206	1,227
Total (<i>boe/d</i>)	1,124	1,145	1,964	2,833	1,343	1,227	1,231	1,252
Average realized prices (\$)								
Natural gas (<i>per Mcf</i>)	1.30	1.29	2.93	2.86	2.95	2.17	1.20	1.69
NGL (<i>per bbl</i>)	43.79	31.95	26.56	27.32	-	-	-	-
Crude oil (<i>per bbl</i>)	61.41	49.07	54.66	56.28	54.03	47.31	47.39	34.34

Inherent to the nature of the oil and gas industry, fluctuations in Predator's quarterly oil and natural gas sales, cash flows from operating activities, and income or loss are primarily caused by variations in production volumes, realized commodity prices and the related impact on royalties, realized and unrealized gains/losses on financial instruments, changes in per-unit expenses, and deferred income taxes. Please refer to the Financial and Operating Results section above for an explanation of changes.

Capital Expenditures

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Land	4,350,566	-	6,486,059	319,419
Seismic	202,026	-	217,026	-
Production equipment and facilities	98,623	168,943	438,278	1,114,990
Recompletions	6,615	330,958	2,442,919	1,663,621
Acquisitions	-	-	26,855,905	-
	4,657,830	499,901	36,440,187	3,098,030

At December 31, 2017, the Company had E&E assets of \$4,992,805 (December 31, 2016 – \$1,553,993). This included approximately 279,000 net acres of undeveloped land. The Company disposed of \$3,058,273 of undeveloped lands when it entered into a joint venture agreement with another party who acquired 50% working interest in the Clearwater area lands for total proceeds of \$3,058,273.

At December 31, 2017, the Company had gross property and equipment of \$89,271,666 (December 31, 2016 - \$85,365,030). This included developed land and costs associated with the wells the Company has drilled and acquired to date. As well, it included \$33,395 (December 31, 2016 - \$33,395) incurred since inception to purchase computer hardware and software, associated office furniture and office improvements for use by Predator employees and consultants.

During 2017, no drilling activities were undertaken. The Companies focus in 2017 was on maintenance capital to offset production declines in its core area.

The acquisitions in 2017 mainly relate to the West Central assets that were acquired and sold in 2017.

Share Capital and Option Activity

As at December 31, 2017 the Company had 5,538,674 common shares, and 636,000 stock options outstanding. During 2017, 50,000 options were issued and 149,400 were settled for cash consideration of \$225,986. As at the date of this MD&A, the Company had 5,744,204 common shares, and no stock options outstanding.

Liquidity and Capital Resources

At December 31, 2017, the Company had a working capital deficit of \$14,573,417 (December 31, 2016 – \$18,451,293), but positive working capital of \$1,826,583 (December 31, 2016 –\$223,707) excluding the credit facility. The decrease from December 31, 2016 is due to a reduction in bank debt using cash flows generated during the year. Cash flows generated from operations during 2018 are anticipated to be used for debt reduction as well as fund capital expenditures and decommissioning work.

The Company's credit facility is a demand loan and as such the bank could demand repayment at any time. Management is not aware of any indications that the bank would demand repayment. Should the lender demand repayment, the Company would need to seek alternative sources of debt or equity financing, or sell assets.

The credit facility includes a number of covenants including working capital ratio and net debt to cash flow ratio.

The Company is required to maintain an adjusted working capital ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. This ratio is defined as the ratio of (i) current assets, excluding financial derivatives, plus any undrawn availability under the credit facility to (ii) current liabilities, excluding financial derivatives and any amounts drawn under the credit facility. At December 31, 2017, the Company's current ratio was 4.98:1.0 (December 31, 2016 – 4.7:1.0). The Company is also required to maintain a net debt to cash flow ratio no greater than 3.0:1.0 as at the last day of each fiscal quarter. At December 31, 2017, the Company's net debt to cash flow ratio is 2.88. For the purposes of the covenant, net debt is defined by the agreement as working capital deficit plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent quarter annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses. The Company was in compliance with this covenant at December 31, 2017. The Company is also required to meet certain reporting requirements on a quarterly and annual basis and may not make dividend payments or redeem any outstanding shares in an amount exceeding \$1,350,000 in any fiscal year.

Subsequent to December 31, 2017, the Company entered into a Fourth Amending Agreement ("Fourth Amendment") of the credit facility. As part of the Fourth Amendment, loan covenants were amended such that cash flow, for the purposes of the net debt to cash flow ratio, is defined effectively as cash flow from operating activities before changes in non-cash working capital for the two most recent quarters annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses.

The Company generally relies on operating cash flows and its credit facility to fund its capital requirements and provide liquidity. Future liquidity depends primarily on funds generated from operations, drawing on existing credit facilities and accessing debt and equity markets.

Off-Balance-Sheet Arrangements

The Company does not have any special-purpose entities nor is it a party to any arrangements that would be excluded from the balance sheet.

Environmental Initiatives Affecting Predator

In October 2017, the Government of Canada announced a national carbon pricing regime in response to the Paris Agreement ratified by Canada earlier that month. Under the Carbon Strategy, a benchmark carbon pricing program will be applied, pricing carbon emissions at a minimum of \$10 per tonne in 2018, rising by \$10 per tonne each year to \$50 per tonne by 2022. The Carbon Strategy also proposes a federal backstop in the event that jurisdictions fail to meet the benchmark. The Government of Alberta established a carbon pricing system referenced in the federal announcement; therefore, in the short term, the national price on carbon will likely have little additional impact to Predator beyond that imposed by the Government of Alberta.

Commitments

At December 31, 2017, the Company had the following commitments:

Minimum future payments for operating leases:

	Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total

Head office lease (base rent)	\$ 196,000	\$ 735,000	\$ -	\$ 931,000
-------------------------------	------------	------------	------	------------

Physical delivery electricity services contract:

	Average monthly contracted kW	Term	Fixed Price
Electricity	541 kW	January 1, 2018 to December 31, 2018	4.559 ¢/kWh

Related-Party Transactions

During the year ended December 31, 2017, the Company incurred charges of \$368,763 (2016 – charged \$239,373) to a company with common officers and directors, Tidewater Midstream and Infrastructure Ltd. for management fees, office space, subscriptions and supplies which was recorded as a increase or reduction to general and administrative expense and was charged \$431,717 (2016 - \$19,109) for net non-operated gas sales and gas processing fees which is included in operating and transportation expense. During the year ended December 31, 2017, the related party marketed natural gas production for the Company, with total receipts of \$2,083,188 (2016 - \$nil) which is included in oil and natural gas sales on the statement of income (loss) and comprehensive income (loss). During the year ended December 31, 2017, the Company was also charged \$1,038,100 (2016 - \$419,711) for propane purchases and distribution from this companies subsidiary Midwest Propane Ltd. which is included in operating and transportation expenses on the statement of income (loss) and comprehensive income (loss). As at December 31, 2017, \$nil (2016 - \$48,205) is included within accounts receivable and \$259,686 (2016 - \$182,998) is included within accounts payable with respect to these charges.

During the year ended December 31, 2017, the Company completed the acquisition of oil and gas assets in Davey Lake Alberta for total cash consideration of \$700,000 from Predator Oil BC Ltd. Predator Oil BC Ltd. is a company with common officers, directors and shareholders. The Company acquired the assets for the purpose of short-term cash flows in the form of a deposit with the Alberta Energy Regulator that was refunded to the Company.

During the year ended December 31, 2017, the Company advanced funds of \$3,000,000 to Predator Oil BC Ltd. The amount was due on demand, unsecured and bore interest at 3.00% per annum with interest payments due on or before maturity of the loan. Under the terms on the Company’s revolving operating demand loan, the bank provided consent to the Company for the loan contingent of the amount being repaid on or before September 30, 2017. For the year ended December 31, 2017, the Company earned interest of \$15,800 (2016 - \$nil) which is included in finance income and expenses, net, on the statement of income (loss) and comprehensive income (loss). On July 11, 2017, the loan and interest were repaid in full.

During year ended December 31, 2017, the Company received funds of \$408,000 from Fireweed Energy Ltd. for undeveloped lands acquired by the Company that were sold at net book value with no gain/loss recognized. Fireweed Energy Ltd.. is a company with common directors and shareholders The lands were disposed shortly after acquisition for cash flow purposes and therefore the disposition price represented fair market value. During the year ended December 31, 2017, the Company charged \$476,938 (2016 - \$nil) to this for management fees, office space, subscriptions and supplies which was recorded as a reduction to general and administrative expense. The amount charged was allocated based on usage of space,

supplies and allocation of management salaries for time spent providing services. As at December 31, 2017, \$150,990 (2016 - \$nil) is included within accounts receivable.

Hedging

The Company historically practiced an active hedging program, with the objective to provide a measure of downside protection for its oil and natural gas sales and cash flow from operations, while maximizing exposure to potential commodity pricing upside. At December 31, 2017, the Company's hedges covered approximately 36 percent of forecast production for 2018 (see "Risk Management" above).

Critical Accounting Judgments, Estimates and Policies

The Company's critical accounting judgements, estimates and policies are described in notes 2 and 3 to the December 31, 2017 annual consolidated financial statements. Certain accounting policies are identified as critical because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain, and because the estimates are of material magnitude to revenue, expenses, funds flow from operations, income or loss and/or other important financial results. These accounting policies could result in materially different results should the underlying conditions change or the assumptions prove incorrect.

Critical accounting estimates are those requiring management to make particularly subjective or complex judgments about inherently uncertain matters. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the same period.

Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate, and may change over time as operating conditions change.

New accounting standards

There were no new or amended accounting standards or interpretations adopted during the year ended December 31, 2017 that had a material effect on Predator.

Accounting standards issued but not yet adopted

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have not been applied in preparing the financial statements for the year ended December 31, 2017. The standards applicable to the Company are as follows and will be adopted on their respective effective dates:

- IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). In April 2016, the IASB issued its final amendments to IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 provides a single, principles-based five step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The Company will retrospectively adopt IFRS 15 on January 1, 2018. The Company has substantially completed reviewing its various revenue streams and underlying contracts with customers. It has been concluded that the adoption of IFRS 15 will not have a material impact on the Company's net

income (loss) and financial position. The Company will expand the disclosures in the notes to its consolidated financial statements as prescribed by IFRS 15, including disclosing the Corporation's disaggregated revenue streams by product type.

- IFRS 9, “Financial Instruments” (“IFRS 9”). In July 2014, the IASB completed the final elements of IFRS 9, Financial Instruments. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than the statement of income (loss).

In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. The Company has determined that the new impairment model will not result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also contains a new model to be applied for hedge accounting. The Corporation does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9, as well as consequential amendments to IFRS 7, Financial Instruments: Disclosures, will be applied on a retrospective basis by Predator on January 1, 2018.

The Company has determined that the adoption of IFRS 9 will not have a material impact on the measurement and carrying values of the Corporation's financial assets or liabilities.

- IFRS 16, “Leases” (“IFRS 16”). The new standard achieves the goal of bringing leases onto the statement of financial position for lessees. There will be a single lease accounting model for all leases, and there will no longer be a classification test between finance and operating leases. The lessee will recognize a right of use asset and a lease liability and the lease will be treated as an asset on a financial basis. There will be an optional exemption for short term leases, defined at 12 months or less, and an option for portfolio accounting on leases that have similar criteria. From the lessor's perspective, there will still be a dual lease accounting model that follows the criteria set out in IAS 17 (previous leases standard). IFRS 16 is applicable for annual periods beginning on or after January 1, 2019. IFRS 16 is being assessed to determine its impact on the Corporation's results and financial position.

Non-GAAP measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry. The term “operating netback” (oil and natural gas sales less royalties and production, operating and transportation expenses, all expressed on a per-unit-of-production basis) is not defined under IFRS, and may not be comparable with similar measures presented by other companies. Operating netback is a per-unit-of-production measure that may be used to assess the Company's performance and efficiency.

Basis of Barrel of Oil Equivalent

Petroleum and natural gas reserves and production volumes are stated as a “barrel of oil equivalent” (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Readers are cautioned that boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This document contains certain forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause them to differ materially from those stated, anticipated or implied. Such forward-looking statements necessarily involve risks including, without limitation, those associated with oil and natural gas exploration, property development, production, marketing and transportation, such as dry holes and non-commercial wells, facility and pipeline damage, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, production declines, health, safety and environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Forward-looking information typically includes statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “estimate”, “propose”, “project”, or similar words suggesting future outcomes. The Company cautions readers and prospective investors in the Company’s securities not to place undue reliance on forward-looking information as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

Forward-looking information typically involves substantial known and unknown risks and uncertainties, certain of which are beyond the Company’s control. Such risks and uncertainties include, without limitation: financial risk of marketing reserves at an acceptable price given market conditions; volatility in market prices for oil and natural gas; delays in business operations; pipeline restrictions; blowouts; the risk of carrying out operations with minimal environmental impact; industry conditions including changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; uncertainties associated with estimating oil and natural gas reserves; risks and uncertainties related to oil and gas interests and operations on aboriginal lands; economic risk of finding and producing reserves at a reasonable cost; uncertainties associated with partner plans and approvals; operational matters related to non-operated properties; increased competition for, among other things, capital, acquisitions of reserves and undeveloped lands; competition for and availability of qualified personnel or management; incorrect assessments of the value of acquisitions and exploration and development programs; unexpected geological, technical, drilling, construction, processing and transportation problems; availability of insurance; fluctuations in foreign exchange and interest rates; stock market volatility; general economic, market and business conditions; uncertainties associated with regulatory approvals; uncertainty of government policy changes; uncertainties associated with credit facilities and counterparty credit risk; changes in income tax laws, Crown royalty rates and incentive programs relating to the oil and gas industry; and other factors, many of which are outside the Company’s control. The Company’s actual results, performance or achievements could, therefore, differ materially from those expressed in, or implied by, these forward-looking estimates and whether or not any such actual results, performance or achievements transpire or occur, there can be no certainty as to what benefits or detriments the Company will derive therefrom.

The forward-looking information included herein is expressly qualified in its entirety by this cautionary statement. It is made as of the date hereof and the Company assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

Abbreviations

The following summarizes the abbreviations used in this document:

Crude Oil and Natural Gas Liquids

bbl	barrel
Mbbl	thousand barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
Mboe	thousand barrels of oil equivalent
boe/d	barrel of oil equivalent per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
GJ	Gigajoule; 1 Mcf of natural gas is about 1.05 GJ
MMBtu	million British thermal units; 1 GJ is about 0.95 MMBtu

Other

\$000s	thousands of dollars
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard

Corporate Information

BOARD OF DIRECTORS

GREG MACDONALD

President & CEO
Predator Oil Ltd.
Calgary, Alberta

JOEL MACLEOD

Independent Businessman
Calgary, Alberta

STEPHEN HOLYOAKE

Independent Businessman
Calgary, Alberta

OFFICERS

GREG MACDONALD

President & Chief Executive Officer

GRAYDON GLANS

Chief Financial Officer

KELLY McDONALD

Vice President, Exploration

HEAD OFFICE

Suite 900, 222 – 3rd Avenue S.W.
Calgary, Alberta
T2P 0B4

Telephone: 403-719-0499

Facsimile: 587-296-4916

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

DLA Piper (Canada) LLP
Calgary, Alberta

AUDITORS

RSM Alberta LLP
Calgary, Alberta

BANKERS

National Bank of Canada
Calgary, Alberta

SCHEDULE “A”

HIGHWOOD OIL COMPANY LTD. BOARD OF DIRECTORS MANDATE AND TERMS OF REFERENCE

The board of directors (the “**Board**”) of Highwood Oil Company Ltd. (“**Highwood**” or the “**Company**”) is responsible under law to supervise the management of the business and affairs of the Company. The Board has the statutory authority and obligation to protect and enhance the assets of the Company.

The principal mandate of the Board is to oversee the management of the business and affairs of the Company, and monitor the performance of management.

In keeping with generally accepted corporate governance practices and the recommendations contained in National Policy 58-201 adopted by the Canadian Securities Administrators, and the requirements of any stock exchange on which the Company's securities are listed, the Board assumes responsibility for the stewardship of the Company and, as part of the overall stewardship responsibility, explicitly assumes responsibility for the following:

Independence

1. The Board retains the responsibility for managing its own affairs, including planning its composition, selecting its Chairman and/or Lead Director, appointing Board committees and determining directors' compensation. While it is appropriate to confer with the management on the selection of candidates to be nominated as members of the Board, the ultimate selection shall be determined by the existing independent members of the Board. The Chairman of the board should be an independent director, and where this is not appropriate, an independent director should be appointed to act as Lead Director.
2. In that the Board must develop and voice objective judgment on corporate affairs, independently of the management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent and unrelated directors. Certain tasks suited to independent judgments will be delegated to specialized committees of the Board that are comprised exclusively of outside directors and at least a majority of unrelated directors.
3. The Board will evaluate its own performance in a continuing effort to improve. For this purpose, the Board will establish criteria for Board and Board member performance, and pursue a self-evaluation process for evaluating both overall Board performance and contributions of individual directors.

Leadership in Corporate Strategy

1. The Board ultimately has the responsibility to oversee the development and approval of the mission of the Company, its goals and objectives, and the strategy by which these objectives will be reached. In guiding the strategic choices of the Company, the Board must understand the inherent prospects and risks of such strategic choices.
2. While the leadership for the strategic planning process comes from the management of the Company, the Board shall bring objectivity and a breadth of judgment to the strategic planning process and will ultimately approve the strategy developed by management as it evolves.
3. The Board is responsible for monitoring management's success in implementing the strategy and monitoring the Company's progress to achieving its goals; revising and altering direction in light of changing circumstances.
4. The Board has the responsibility to ensure congruence between the strategic plan and management's performance.

5. The Board must hold minimum of four meetings of the Board per year.

Management of Risk

The Board shall understand the principal risks of all aspects of the business in which the Company is engaged, recognizing that business decisions require the incurrence of risk. The Board is responsible for providing a balance between risks incurred and the potential returns to shareholders of the Company. This requires that the Board ensure that systems are in place to effectively monitor and manage risks with a view to the long-term viability of the Company and its assets, and conduct an annual review of the associated risks.

Approach to Corporate Governance

The Company is committed to effective practices in corporate governance. The Company consistently assesses and adopts corporate governance measures. The Corporate Governance and Nominating Committee shall be responsible for disclosing the Company's approach to corporate governance in public disclosure documents.

Oversight of Management

As the Board functions, the Board must ensure the execution of plans and operations are of the highest caliber. The key to the effective discharge of this responsibility is the approval of the appointment of the senior officers of the Company and the assessment of each senior officer's contribution to the achievement of the Company's strategy. In this respect, performance against objectives established by the Board is important, as is a formal process for determining the senior officers' compensation, in part, by using established criteria and objectives for measuring performance. To the extent feasible, the Board should also satisfy itself as to the integrity of the chief executive officer and other executive officers, and that such officers create a culture of integrity throughout the Company.

“**Executive officer**” has the meaning set out in National Instrument 51-102 *Continuous Disclosure Obligations*.

Succession Planning

On a regular basis, the Board shall review a succession plan, developed by management, addressing the policies and principles for selecting a successor to the Chief Executive Officer (“**CEO**”) and other key senior management positions, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills, training and planned career paths for possible successors to the CEO currently in the Company's senior management.

Expectations and Responsibilities of Board Members

1. *Commitment and Attendance.* All members of the Board should make every effort to attend all meetings of the Board and meetings of committees of which they are members, if any. Although attendance in person is encouraged, members may attend by telephone to mitigate schedule conflicts.
2. *Participation in Meetings.* Each member of the Board should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves.
3. *Financial Knowledge.* One of the most important roles of the Board is to monitor financial performance. Each member of the Board must know how to read financial statements, and should understand the use of financial ratios and other indices for evaluating financial performance.
4. *Other Directorships.* The Company values the experiences Board members bring from other boards on which they serve, but recognizes that those boards may also present demands on a member's time and availability, and may also present conflicts of interest or other legal issues. Members of the Board should advise the Chair of the Corporate Governance and Nominating Committee before accepting any new

membership on other boards of directors or any other significant commitment involving an affiliation with other related businesses or governmental units.

5. *Contact with Management.* All members of the Board are invited to contact the CEO at any time to discuss any aspect of the Company's business. While respecting organizational relationships and lines of communication, members of the Board have complete access to other members of management. There shall be afforded frequent opportunities for members of the Board to meet with the CEO, chief financial officer and other members of management in Board and committee meetings and in other formal or informal settings.
6. *Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each member of the Board shall maintain the confidentiality of information received in connection with his or her services.
7. *Preparation for Meetings.* All members of the Board should make every effort to review all meeting materials prior to meetings of the Board and meetings of committees of which they are members.

Shareholder Communications and Disclosure

1. The Board is responsible to ensure that the Company has policies in place to ensure effective and timely communication and disclosure to the shareholders of the Company, other stakeholders and the public in general. This communication and disclosure policy must effectively and fairly present the operations of the Company to shareholders and should accommodate feedback from stakeholders, which should be considered into future business decisions.
2. The Board has the responsibility for ensuring that the financial performance of the Company is reported to shareholders on a timely and regular basis and for ensuring that such financing results are reported fairly, in accordance with generally accepted accounting principles.
3. The Board has the responsibility for ensuring that procedures are in place to effect the timely reporting of any developments that have a significant and material impact on the value of shareholder assets.
4. The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year.

Integrity of Corporate Control and Management Information Systems

To effectively discharge its duties, the Board shall ensure that the Company has in place effective control and information systems so that it can track those criteria needed to monitor the implementation of the Company's strategy.

Similarly, in reviewing and approving financial information, the Board shall ensure that the Company has an audit system, which can inform the Board of the integrity of the data and compliance of the financial information with generally accepted accounting principles.

The Board's management of the important areas of corporate conduct, such as the commitment of the Company's assets to different businesses or material acquisitions, shall also be supported by effective control and information systems.

Legal Requirements

The Board is responsible for ensuring that routine legal requirements, documents, and records have been properly prepared, approved and maintained by the Company.

Board Delegation to Committees

The Board may delegate specific responsibilities to committees of the Board in order to effectively manage the affairs of the Company.

Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties, the members of the Board act honestly and in good faith with a view to the best interests of the Company; and (ii) subject to, and not in expansion of the requirement, that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Assessments

1. The members of the Board will collectively assess the performance of the Board as a whole, the committees of the Board and all directors with reference to their respective mandates, charters or terms of reference. Individual directors will be assessed with reference to any applicable position descriptions, as well as the competencies and skills that each director is expected to bring to the Board.
2. Such assessment will occur informally and on an annual basis, with an emphasis on the overall effectiveness and contributions made by the Board as a whole, the committees of the Board and all directors individually.

Contemplated for approval by the Board of Directors on Completion of the Highwood QT.

SCHEDULE “B”

HIGHWOOD OIL COMPANY LTD. AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of Highwood Oil Company Ltd. (“**Highwood**” or the “**Company**”) to which the Board has delegated its responsibility for the oversight of the following:

1. nature and scope of the annual audit;
 2. management's reporting on internal accounting standards and practices;
 3. the review of financial information, accounting systems and procedures;
 4. financial reporting and financial statements,
- and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. To assist directors of Highwood (“**Directors**”) in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Company and related matters;
2. To provide better communication between Directors and external auditors;
3. To enhance the external auditor's independence and review and appraise their performance;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside Directors by facilitating in depth discussions between Directors on the Committee, management of Highwood (“**Management**”) and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) Directors or such greater number as the Board may determine from time to time and all members of the Committee shall be “independent” (as such term is used in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”)) unless the Board determines that an exemption contained in NI 52-110 is available and determines to rely thereon.

“**Independent**” generally means free from any business or other direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.

2. The Board may from time to time designate one of the members of the Committee to be the chairperson of the Committee (the “**Chair**”).
3. All of the members of the Committee must be “financially literate” (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

Being “**financially literate**” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally

comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

Mandate and Responsibilities of Committee

To fulfill its responsibilities and duties, the Committee shall:

1. Undertake annually a review of this mandate and make recommendations to the Corporate Governance and Nominating Committee as to proposed changes;
2. Satisfy itself on behalf of the Board with respect to the Company's internal control systems, including, where applicable, relating to derivative instruments:
 - (a) identifying, monitoring and mitigating business risks; and
 - (b) ensuring compliance with legal, ethical and regulatory requirements.
3. Review the Company's financial statements and reports and any related management's discussion and analysis (“**MD&A**”), any annual earnings, interim earnings and press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial reports), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors; the process should include but not be limited to:
 - (a) reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - (b) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - (c) reviewing accounting treatment of unusual or non-recurring transactions;
 - (d) ascertaining compliance with covenants under loan agreements;
 - (e) reviewing financial reporting relating to asset retirement obligations;
 - (f) reviewing disclosure requirements for commitments and contingencies;
 - (g) reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - (h) reviewing unresolved differences between Management and the external auditors;
 - (i) obtain explanations of significant variances with comparative reporting periods; and
 - (j) determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.
4. Review the financial reports and related information included in Information Circulars, MD&A, information circular-proxy statements and annual information forms and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Highwood's disclosure of all other financial information and will periodically assess the accuracy of those procedures;

5. With respect to the appointment of external auditors by the Board:
- (a) require the external auditors to report directly to the Committee;
 - (b) review annually the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;
 - (c) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company and confirming their independence from the Company;
 - (d) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
 - (e) be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Company, including the resolution of disagreements between Management and the external auditor regarding financial reporting;
 - (f) review Management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
 - (g) review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
 - (h) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
 - (i) take, or recommend that the full Board take, appropriate action to oversee the independence of the external auditors; and
 - (j) at each meeting, consult with the external auditors, without the presence of Management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial reports.
6. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors and consider the impact on the independence of the auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
- (a) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent (5%) of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
 - (b) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
 - (c) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time;

7. With respect to the financial reporting process:
 - (a) in consultation with the external auditors, review with Management the integrity of the Company's financial reporting process, both internal and external;
 - (b) consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
 - (c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and Management;
 - (d) review significant judgments made by Management in the preparation of the financial reports and the view of the external auditors as to appropriateness of such judgments;
 - (e) following completion of the annual audit, review separately with Management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
 - (f) review any significant disagreement among Management and the external auditors regarding financial reporting;
 - (g) review with the external auditors and Management the extent to which changes and improvements in financial or accounting practices have been implemented; and
 - (h) review the certification process.
8. Review financial reporting relating to risk exposure and risk management policies and procedures of the Company (i.e., hedging, litigation and insurance).
9. Establish a procedure for:
 - (a) the receipt, retention and treatment of complaints received by Highwood regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential, anonymous submission by employees of Highwood of concerns regarding questionable accounting or auditing matters.
10. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
11. Review any other matters that the Committee feels are important to its mandate or that the Board chooses to delegate to it;

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Company, and to engage independent counsel and other advisors as it deems necessary to carry out its duties (and to set and pay compensation to such advisors). The Committee will also have the authority to investigate any financial activity of Highwood. All employees of Highwood are to cooperate as requested by the Committee.

Meetings and Administrative Matters

1. The Committee shall meet at least four times per year and/or as deemed appropriate by the Chair. As part of its job to foster open communication, the Committee will meet at least annually with Management and the external auditors in separate sessions, and at such other times as the external auditor and/or the

Committee consider appropriate. The Chief Financial Officer of Highwood shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.

2. Agendas, with input from Management and approved by the Chair, shall be circulated to Committee members and relevant Management personnel along with background information on a timely basis prior to the Committee meetings.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
5. At all meetings of the Committee, every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall be entitled to a second or casting vote.
6. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.
7. The Committee may invite such officers, directors and employees of the Company and its subsidiaries, if any, as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Company as determined by the Committee without any further approval of the Board.
9. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
10. Any issues arising from these meetings that bear on the relationship between the Board and Management should be communicated to the Chairman of the Board by the Committee Chair.

Contemplated for approval by the Board of Directors on Completion of the Highwood QT.

SCHEDULE "C"

**MODIFIED FORM 51-101F2
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR**

Page 1 of 2

**FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Predator Oil Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at March 31, 2018. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2018, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended March 31, 2018, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – M\$)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	Mar. 31, 2018	Canada	-	183,415	-	183,415

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, May 25, 2018

"Originally Signed by"

Kelly J. Zukowski, P. Eng.
Manager, Engineering

SCHEDULE “D”

**FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE
HIGHWOOD OIL COMPANY LTD. RESERVES**

Management of the Company is responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2018, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company’s reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the Board of Directors of the Company has:

- (a) Reviewed the Company’s procedures for providing information to the qualified reserves evaluator;
- (b) Met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) Reviewed the reserves data with management and the independent qualified reserves auditor.

The Reserves Committee of the Board of Directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51- 101F1 containing information detailing the Company’s oil and gas activities;
- (b) the filing of Form 51-101F2, which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) “*Greg Macdonald*”
Greg Macdonald
President and Chief Executive Officer

(signed) “*Graydon Glans*”
Graydon Glans
Chief Financial Officer

(signed) “*Joel A. MacLeod*”
Joel A. MacLeod
Director

(signed) “*Stephen J. Holyoake*”
Stephen J. Holyoake
Director

December 20, 2018

SCHEDULE "E"

HIGHWOOD STOCK OPTION PLAN

1. PURPOSE

The purpose of this stock option plan (the "Plan") of **Highwood Oil Company Ltd.** (the "Company"), a corporation incorporated under the *Business Corporation Act* (Alberta), is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Company (the "Shares"), thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

2. ADMINISTRATION

The Plan shall be administered by the Board of Directors of the Company or by a special committee of the directors appointed from time to time by the Board of Directors of the Company pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Company, is hereinafter referred to as the "Board"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Board.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into hereunder, to define the terms used in the Plan and in all option agreements entered into hereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option ("Option") to purchase a Share granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Company and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

Each Option granted by the Company prior to the date of the approval of the Plan by the shareholders of the Company, including Options granted under previously approved stock option plans of the Company, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Company.

3. STOCK EXCHANGE RULES

All Options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the Shares of the Company are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "Exchange").

4. SHARES SUBJECT TO PLAN

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of Shares of the Company's authorized but unissued Shares. The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Shares from time to time less the aggregate number of Shares reserved for issuance under any other Share Compensation Arrangement (as defined herein). If any Option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

“**Share Compensation Arrangement**” has the meaning ascribed to “security based compensation arrangements” in Part VI of the Company Manual of the Toronto Stock Exchange (the “**TSX**”), as amended from time to time.

5. MAINTENANCE OF SUFFICIENT CAPITAL

The Company shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. ELIGIBILITY AND PARTICIPATION

Directors, officers, consultants, and employees of the Company or its subsidiaries, and employees of a person or company which provides management services to the Company or its subsidiaries (“**Management Company Employees**”) shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as “**Participants**”). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold Options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the Options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom Options shall be granted, the terms and provisions of the respective Option agreements, the time or times at which such Options shall be granted and vested, and the number of Shares to be subject to each Option. In the case of employees or consultants of the Company or Management Company Employees, the Option agreements to which they are party must contain a representation of the Company that such employee, consultant or Management Company Employee, as the case may be, is a *bona fide* employee, consultant or Management Company Employee of the Company or its subsidiaries.

A Participant who has been granted an Option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange and terms hereof, be granted an additional Option or Options if the Board shall so determine.

7. EXERCISE PRICE

- (a) Options may be exercised at a price that shall be fixed by the Board at the time that the Option is granted. No Option shall be granted with an exercise price at a discount to the market price. The market price shall be the closing price of the Shares on the Exchange on the first day preceding the date of grant on which at least one board lot of Shares traded.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the Option has been granted, the exercise price of an Option may be reduced upon receipt of Board approval, provided that in the case of Options held by Insiders (as defined in the policies of the Exchange) of the Company, the exercise price of an Option may be reduced only if disinterested shareholder approval is obtained.

8. NUMBER OF OPTIONED SHARES

- (a) The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Shares from time to time less the aggregate number of Shares reserved for issuance under any other Share Compensation Arrangement, subject to the following additional limitations:
 - (i) the aggregate number of Options granted to any one Participant (and companies wholly owned by that Participant) in a 12 month period must not exceed 2% of the issued and outstanding Shares, calculated on the date an Option is granted to the Person (unless the Company has obtained the requisite disinterested shareholder approval), less the aggregate number of Shares reserved for issuance to such person under any other Share Compensation Arrangement;

- (ii) the aggregate number of Shares reserved for issuance under Options granted to Insiders (as a group) at any point in time must not exceed 10% of the issued and outstanding Shares, less the aggregate number of Shares reserved for issuance to Insiders under any other Share Compensation Arrangement; and
 - (iii) the grant to Insiders (as a group), within a twelve (12) month period, of an aggregate number of Options must not exceed 10% of the issued and outstanding Shares, calculated at the date an Option is granted to any Insider, less the aggregate number of Shares reserved for issuance to Insiders under any other Share Compensation Arrangement.
- (b) The number of Shares subject to an Option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an Option which exceeds the maximum number permitted by the Exchange.
 - (c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to persons employed to provide investor relation activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than 1/4 of the options vesting in any 3 month period.

9. DURATION OF OPTION

Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an Option exceed the maximum term permitted by the Exchange. For greater certainty, if the Company is listed on the TSX Venture Exchange, the maximum term may not exceed 10 years (subject to extension where the expiry date falls within a Black Out Period, as defined herein). The TSX does not impose a maximum term for the duration of an Option.

Should the expiry date of an Option fall within a Black Out Period or within nine business days following the expiration of a Black Out Period, such expiry date of the Option shall be automatically extended without any further act or formality to that date which is the tenth (10th) business day after the end of the Black Out Period, such tenth (10th) business day to be considered the expiry date for such Option for all purposes under the Plan. The ten (10) business day period referred to in this paragraph may not be extended by the Board.

“**Black Out Period**” means the period during which the relevant Participant is prohibited from exercising an Option due to trading restrictions imposed by the Company pursuant to any policy of the Company respecting restrictions on trading that is in effect at that time or a notice in writing to a Participant by a senior officer or director of the Company.

10. OPTION PERIOD, CONSIDERATION AND PAYMENT

- (a) The Option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the Option period shall be reduced with respect to any Option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Company or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, Options may be exercised in whole or in part at any time and from time to time during the Option period. To the extent required by the

Exchange, no Options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Company.

- (d) Except as set forth in Sections 11 and 12, no Option may be exercised unless the Participant is at the time of such exercise, a director, officer, consultant, or employee of the Company or any of its subsidiaries, or a Management Company Employee of the Company or any of its subsidiaries.
- (e) The exercise of any Option will be contingent upon receipt by the Company at its head office of a written notice of exercise, specifying the number of Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the Option is exercised (subject to Section (a)17(a)). No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares of the Company unless and until the certificates for Shares issuable pursuant to Options under the Plan are issued to him or them under the terms of the Plan.

11. CEASING TO BE A DIRECTOR, OFFICER, CONSULTANT OR EMPLOYEE

If a Participant shall cease to be a director, officer, consultant, employee of the Company, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his Option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation, subject to extension at the discretion of the Board.

Nothing contained in the Plan, nor in any Option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Company or of any of its subsidiaries or affiliates.

12. DEATH OF PARTICIPANT

Notwithstanding Section 11, in the event of the death of a Participant, the Option previously granted to him shall be exercisable only within the one year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that such Participant was entitled to exercise the Option at the date of his death.

13. RIGHTS OF OPTIONEE

No person entitled to exercise any Option granted under the Plan shall have any of the rights or privileges of a shareholder of the Company in respect of any Shares issuable upon exercise of such Option until certificates representing such Shares shall have been issued and delivered.

14. PROCEEDS FROM SALE OF SHARES

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Company and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

15. ADJUSTMENTS

If the outstanding Shares of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company or another Company or entity through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, or any adjustment relating

to the Shares optioned or issued on exercise of Options, or the exercise price per share as set forth in the respective Option agreements, shall be adjusted in accordance to the terms of such agreements.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

16. TRANSFERABILITY

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant, any benefits, rights and Options may only be exercised by the Participant.

17. WITHHOLDING TAXES

The Company shall have the authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by the optionee to the Company, of any taxes or other required source deductions which the Company is required by law or regulation of any governmental authority whatsoever to remit in connection with this Plan, or any issuance of Shares. Without limiting the generality of the foregoing, the Company may, in its sole discretion:

- (a) deduct and withhold additional amounts from other amounts payable to a optionee;
- (b) require, as a condition of the issuance of Shares to an optionee, that the optionee make a cash payment to the Company equal to the amount, in the Company's opinion, required to be withheld and remitted by the Company for the account of the optionee to the appropriate governmental authority and the Company, in its discretion, may withhold the issuance or delivery of Shares until the optionee makes such payment; or
- (c) sell, on behalf of the optionee, all or any portion of Shares otherwise deliverable to the optionee until the net proceeds of sale equal or exceed the amount which, in the Company's opinion, would satisfy any and all withholding taxes and other source deductions for the account of the optionee.

18. AMENDMENT AND TERMINATION OF PLAN

The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any Option previously granted under the Plan.

The Board may by resolution amend this Plan and any Options granted under it without shareholder approval, however, the Board will not be entitled, in the absence of shareholder and Exchange approval, to:

- (a) reduce the exercise price of an outstanding Option, including a cancellation of an Option and re-grant of an Option in conjunction therewith, constituting a reduction of the exercise price of the Option;
- (b) extend the expiry date of an Option held by an Insider of the Company (subject to such date being extended by virtue of paragraph 9 or paragraph 11 above);
- (c) amend the limitations on the maximum number of Shares reserved or issued to Insiders under paragraphs 9(a)(ii) and 9(a)(iii) hereof;
- (d) amends the limitation on the maximum number of Shares reserved or issued to Non-Employee Directors under paragraph 9(a)(iv) hereof;

- (e) make any amendments to the Plan that would permit a Participant to transfer or assign Options to a new beneficial owner other than for estate settlement purposes;
- (f) increase the maximum number of Shares issuable pursuant to this Plan; or
- (g) amend the amendment provisions of this Plan under this Section 18.

Where shareholder approval is sought for amendments under subsections (a), (b) and (c) above, the votes attached to Shares held directly or indirectly by Insiders benefiting from the amendments will be excluded.

19. NECESSARY APPROVALS

The ability of a Participant to exercise Options and the obligation of the Company to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Company and any regulatory authority or stock exchange having jurisdiction over the securities of the Company. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Company to issue such Shares shall terminate and any Option exercise price paid to the Company will be returned to the Participant.

20. EFFECTIVE DATE OF PLAN

The Plan has been adopted by the Board of the Company subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

21. INTERPRETATION

Terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Company Manual of the TSX.

22. GOVERNING LAW

This Plan will be governed by and construed in accordance with the laws of Alberta and the laws of Canada applicable therein

SCHEDULE "F"

HIGHWOOD RESTRICTED SHARE UNIT PLAN

1 INTERPRETATION

1.1 Restricted Share Unit Plan

The plan herein described shall be called the "**Restricted Share Unit Plan**" and is referred to herein, as may be amended from time to time, as the "**Plan**".

1.2 Definitions

For the purposes of the Plan, unless there is something in the subject matter or context inconsistent therewith the following terms shall have the following meanings:

- (a) "**Account**" means the account set up on behalf of each Participant in accordance with Section (b);
- (b) "**Applicable Law**" means all applicable federal, provincial and foreign laws and any regulations, instruments or orders enacted thereunder, and the rules, regulations and policies of the Stock Exchange;
- (c) "**Black Out Period**" means a period when a Participant is prohibited from trading in the Company's securities pursuant to the Company's written policies then applicable or a notice in writing to a Participant by a senior officer or Director of the Company;
- (d) "**Board**" or "**Board of Directors**" means the board of directors of the Company, as constituted from time to time;
- (e) "**Change in Control**" means:
 - (i) the successful completion of a take-over bid in respect of the Company;
 - (ii) the issuance to or acquisition by any person, or group of persons acting jointly or in concert of (A) more than 50% of the outstanding Shares; or (B) more than 33 and 1/3% of the outstanding Shares and the election or appointment by such person or persons of their nominees as a majority of the Board; and
 - (iii) the sale of all or substantially all of the assets of the Company;
- (f) "**Company**" means Highwood Oil Company Ltd. and any successor company thereto;
- (g) "**Consultant**" has the meaning given to it in NI 45-106;
- (h) "**Director**" has the meaning given to it in NI 45-106;
- (i) "**Disability**" means that the Participant becomes physically or mentally disabled to such an extent as to make him or her unable to perform his or her duties normally and adequately for a period totalling six months during a period of 12 consecutive months. The Board's determination as to whether or not a Participant has incurred a Disability is final and conclusive and binding on all persons;
- (j) "**Dividend Equivalent**" means a bookkeeping entry whereby each outstanding RSU is credited with the equivalent amount of any dividend paid on a Share in accordance with Section 4.5;
- (k) "**Dividend Market Value**" means the Market Price per Share on the dividend record date;

- (l) “**Eligible Person**” means, at the Grant Date, any Employee, Executive Officer, Director or Consultant of the Company or of a Related Entity or a Permitted Assign of any such person;
- (m) “**Employee**” means an employee of the Company;
- (n) “**Executive Officer**” has the meaning given to it in NI 45-106;
- (o) “**Grant Date**” means the effective date on which RSUs are awarded to a Participant in accordance with Section 4.6;
- (p) “**Insider**” has the meaning given to it in Part I of the Company Manual of the TSX, as amended from time to time;
- (q) “**Market Price**” means, with respect to the Shares on a particular date, the price per Share computed on the basis of the closing price of the Shares on the Stock Exchange for the most recent trading day preceding the relevant date. In the event that the Shares are not listed and posted for trading on any Stock Exchange, the Market Price shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (r) “**Non-Employee Director**” means a director of the Company that is not also an officer, Employee or Consultant of the Company;
- (s) “**Notice of Redemption**” has the meaning given to it in Section 4.9(a);
- (t) “**NI 45-106**” means National Instrument 45-106 - *Information Circular Exemptions* or any successor instrument adopted from time to time by the Canadian Securities Administrators;
- (u) “**Participant**” means an Eligible Person to whom or which RSUs have been granted;
- (v) “**Performance Period**” means a period designated by the Board in accordance with Section 4.6(a) that commences on the designated Grant Date and ends on December 31 of the third full calendar year commencing after the Grant Date;
- (w) “**Permitted Assign**” has the meaning given to it in NI 45-106;
- (x) “**Plan Limit**” means the maximum number of Shares that are issuable under the Plan in accordance with Section 4.2;
- (y) “**Redemption Date**” means the date on which the Vested RSUs are redeemed in accordance with 4.9(a);
- (z) “**Regulatory Approval**” means the approval under Applicable Law of the Stock Exchange and any other regulatory authority or governmental agency that may have lawful jurisdiction over the Plan and any RSUs issued hereunder;
- (aa) “**Related Entity**” has the meaning given to it in NI 45-106;
- (bb) “**Restricted Share Unit**” or “**RSU**” means a unit equivalent to the Market Price of a Share on the date such unit is credited by means of a bookkeeping entry on the books of the Company to a Participant's Account in accordance with the terms and conditions of the Plan;
- (cc) “**Retirement**” means the termination of employment of a Participant on or after age sixty- five (65) or any such other age as determined from time to time by the Board;

- (dd) “**RSU Agreement**” means an agreement between the Company and a Participant, in such form as may be approved by the Board from time to time, under which RSUs are granted, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan;
- (ee) “**Share Compensation Arrangement**” has the meaning ascribed to “security based compensation arrangements” in Part VI of the Company Manual of the TSX, as amended from time to time;
- (ff) “**Shareholder Approval**” means approval by the Company’s shareholders in accordance with the rules of the Stock Exchange;
- (gg) “**Shares**” means common shares in the capital of the Company;
- (hh) “**Stock Exchange**” means the TSX, TSX Venture Exchange or any other stock exchange on which the Shares are then listed for trading, as applicable; and
- (ii) “**TSX**” means the Toronto Stock Exchange.

1.3 Use of Gender and Number

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

1.4 Governing Law

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

2. ESTABLISHMENT OF THE PLAN

2.1 Establishment and Purpose of the Plan

The purpose of the Plan is to assist and encourage Directors, Executive Officers, Employees and Consultants of the Company and its Related Entities to work towards and participate in the growth and development of the Company and its Related Entities and provide such persons with the opportunity to acquire an ownership interest in the Company.

2.2 Effective Date

The Plan shall be effective as of January 22, 2019.

2.3 Eligibility

RSUs may be granted hereunder to Eligible Persons from time to time by the Board, subject to the limitations set forth in herein, but may not be granted when that grant would be prohibited by or in breach of Applicable Law or any Black Out Period then in effect.

3. ADMINISTRATION

3.1 Use of Committees

The Board may delegate all or such portion of its powers hereunder as it may determine to a committee of the Board duly appointed for this purpose by the Board and consisting of not less than three members of the Board, either indefinitely or for such period of time as it may specify, and thereafter, such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorised so to do. If a committee is appointed for this purpose, all references herein to the Board will be deemed to be references to such committee.

3.2 Authority of the Board

The Board shall be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising hereunder. Subject to the limitations of the Plan, without limiting the generality of the foregoing, the Board has the power and authority to:

- (a) determine which Eligible Persons are to be granted RSUs and the number of RSUs to be issued to those Eligible Persons;
- (b) determine the terms under which such RSUs are granted including, without limitation, those related to the Performance Period, vesting and forfeiture;
- (c) prescribe the form of RSU Agreement with respect to a particular grant of RSUs;
- (d) interpret the Plan and determine all questions arising out of the Plan and any RSUs granted pursuant to the Plan, which interpretations and determinations will be conclusive and binding on the Company and all other affected persons;
- (e) prescribe, amend and rescind rules and procedures relating to the Plan;
- (f) subject to the provisions of the Plan and subject to such additional limitations and restrictions as the Board may impose, delegate to one or more officers of the Company some or all of its authority under the Plan; and
- (g) employ such legal counsel, independent auditors, third party service providers and consultants as it deems desirable for the administration of the Plan and to rely upon any opinion or computation received therefrom.

The Board's guidelines, rules, regulations, interpretations and determinations shall be conclusive and binding upon the Company and all other persons, including, in particular and without limitation, the Participants.

4. GRANT OF RSUs

4.1 RSU Agreement and Account

- (a) Upon the grant of RSUs, the Company will deliver to the Participant an RSU Agreement dated as of the Grant Date, containing the terms of the RSUs and executed by the Company, and upon delivery to the Company of the RSU Agreement executed by the Participant, such Participant will be a participant in the Plan and have the right to receive Shares on the terms set out in the RSU Agreement and in the Plan. Subject to any specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of each RSU Agreement made hereunder.
- (b) An account (“**Account**”) shall be maintained by the Company for each Participant and will show the RSUs credited to a Participant from time to time.

4.2 Shares Reserved

The maximum number of Shares which may be reserved for issuance under the Plan at any time shall be 240,000 Shares, subject to adjustment under Section 6.1 (the “**Plan Limit**”).

4.3 Limits on Issuances

Notwithstanding any other provision of this Plan:

- (a) the maximum number of Shares which may be reserved for issuance to Insiders under the Plan, together with any other Share Compensation Arrangement, may not exceed 10% of the issued and outstanding Shares from time to time;
- (b) the maximum number of RSUs that may be granted to Insiders under the Plan, together with any other Share Compensation Arrangement, within a 12-month period, may not exceed 2% of the issued and outstanding Shares calculated on the Grant Date;
- (c) the maximum number of RSUs that may be granted to any one Insider under the Plan, within a 12-month period, may not exceed 1% of the issued Shares calculated on the Grant Date; and
- (d) the maximum number of RSUs that may be granted to any one Eligible Person under the Plan, together with any other Share Compensation Arrangement, within a 12-month period, may not exceed 5% of the issued Shares calculated on the Grant Date.

4.4 Status of Terminated RSUs

For purposes of determining the number of Shares that remain available for issuance under the Plan, the number of Shares underlying any grants of RSUs that are surrendered, forfeited, waived, repurchased by the Company and/or cancelled shall be added back to the Plan Limit and again be available for future grant, whereas the number of Shares underlying any grants of RSUs that are issued shall not be available for future grant.

4.5 Credits for Dividends

A Participant's Account shall be credited with a Dividend Equivalent in the form of additional RSUs only if the Board, in its sole discretion, so determines. Such Dividend Equivalent, if any, shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of RSUs recorded in the Participant's Account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places.

4.6 Grant and Vesting of RSUs

- (a) For each calendar year ending after the effective date of the Plan, the Board may designate one or more Performance Periods under the Plan. In respect of each such designated Performance Period and subject to the terms of the Plan, the Board may from time to time establish the Grant Date and grant to any Eligible Person one or more RSUs as the Board deems appropriate. It shall be the responsibility of the Company and the Eligible Person to ensure that such Eligible Person is a bona fide Eligible Person.
- (b) The Board shall make all other determinations with respect to the Performance Period as the Board considers in its sole discretion to be necessary or desirable under the Plan, including, without limitation, the date or dates within such Performance Period and such other terms and conditions, if any, on which all or a portion of such RSUs (and corresponding Dividend Equivalents) credited to a Participant's Account shall vest (to be set forth in the RSU Agreement), provided that no RSUs (and corresponding Dividend Equivalents) may vest when prohibited by, or in breach of, Applicable Law.
- (c) Notwithstanding any other provision of the Plan, the Board may in its sole and absolute discretion accelerate and/or waive any vesting or other conditions for all or any RSUs (and corresponding Dividend Equivalents) for any Participant at any time and from time to time.
- (d) In no circumstances will RSUs credited to a Participant's Account in respect of a Performance Period vest after December 31 of the third full calendar year following the Grant Date in respect of such Performance Period.

- (e) Any RSUs in respect of a Performance Period that are not vested on or before December 31 of the third full calendar year following the Grant Date in respect of such RSUs shall be cancelled and no vesting, payment or issuance shall be made under the Plan in respect of such RSUs.

4.7 Third Party Offer

If an offer to purchase all of the outstanding Shares of the Company is made by a third party, the Board may, to the extent permitted by Applicable Law and upon giving each Participant written notice to that effect, effect the acceleration of the vesting of RSUs granted under the Plan. All determinations of the Board under this Section will be final, binding and conclusive for all purposes.

4.8 Change in Control

Upon the occurrence of a Change in Control or in the event of the termination of a Participant's employment by the Company for any reason (except termination for cause or voluntary resignation) at any time within one (1) year of the occurrence of a Change of Control, all the RSUs at that time outstanding but unvested shall automatically and irrevocably become vested in full.

4.9 Delivery of Shares or Cash

- (a) Vested RSUs may be redeemed by a Participant, in whole or in part, at any time prior to the end of the Performance Period, subject to Black Out Periods, upon delivery of a notice of redemption to the Company in the form attached hereto as Schedule A (the "Notice of Redemption"). Upon receipt by the Company of a Notice of Redemption, the Company shall forthwith redeem the RSUs required to be redeemed pursuant to the Plan and the Notice of Redemption by issuing from treasury one Share for each full RSU to be redeemed and making a lump sum cash payment in respect of any partial Restricted Share Unit to be redeemed. Notwithstanding the foregoing, if at the time of the election the Company is listed on the TSX, if the Board determines, the Company may redeem all or part of the vested RSUs subject to a Notice of Redemption by making a lump sum payment in respect of all full and partial Restricted Share Units to be redeemed, equal to the amount determined by multiplying the number of Restricted Share Units in the Participant's Account that are vested on such vesting date by the Market Price of a Share. Such payment or issuance shall take place no later than the 21st day following receipt of the Notice of Redemption.
- (b) Notwithstanding Section 4.9(a), all redemptions under this Section 4.9 in respect of RSUs in Participants' Accounts that have vested in respect of a Performance Period shall be redeemed on or before December 31 of the third full calendar year following the end of the year in which such RSUs were awarded pursuant to Section 4.6.
- (c) Upon delivery of Shares and/or cash in satisfaction of RSUs, such RSUs shall be cancelled from the Participant's Account.
- (d) If the applicable Redemption Date for RSUs occurs during or within 10 business days of the expiration of a Black Out Period applicable to such Participant, then the Redemption Date for such RSUs shall be extended to the close of business on the tenth business day following the expiration of the Black Out Period.

4.10 Tax and Withholding Tax

Notwithstanding any other provision contained herein, in connection with the exercise of an RSU by a Participant or a Permitted Assign for Shares of the Company pursuant to Section 4.9(a) hereof, as a condition to such exercise: (i) the Company shall require such Participant to pay or cause to be paid to the Company an amount as necessary so as to ensure that the Company is in compliance with the applicable provisions of any federal, provincial or local law relating to the withholding of tax or other required deductions in connection with the exercise of such RSUs (the "Source Deductions"); or (ii) in the event a Participant does not pay or cause to be paid the amount specified in (i), the Company shall be permitted to engage a broker or other agent on behalf of the Participant or Permitted Assign, at the risk and expense of the Participant, to sell a portion of the underlying Shares issued on the exercise of such RSU

through the facilities of the Stock Exchange, and to apply the proceeds received on the sale of such underlying Shares as necessary so as to ensure that the Company is in compliance with the applicable Source Deductions relating to the exercise of such RSUs. In addition, the Company shall be entitled to withhold from any amount payable to a Participant, including the exercise of RSUs for a cash payment pursuant to Section 4.9(a) hereof, and either under this Plan or otherwise, such amount as may be necessary so as to ensure that the Company is in compliance with the applicable Source Deductions relating to the exercise of any RSU.

4.11 Termination of Employment

Unless otherwise determined by the Board, in its sole discretion, or specified in the applicable RSU Agreement:

- (a) upon the voluntary resignation or the termination for cause of a Participant, all of the Participant's RSUs which remain unvested in the Participant's Account shall be forfeited without any entitlement to such Participant. If the Participant has an employment or consulting agreement with the Company, the term "cause" shall include any meaning given to that term in the employment or consulting agreement or, if such term is not defined in such agreement, shall mean any ground which would justify the services of the Participant to be terminated without notice or payment in lieu and/or shall have the meaning given to such term under any Applicable Law; and
- (b) subject to Section 4.8, upon the termination without cause, the Disability, the Retirement or death of a Participant, the Participant or the Participant's beneficiary, as the case may be, shall have a number of RSUs become vested in a linear manner equal to the sum for each grant of RSUs of the original number of RSUs granted multiplied by the number of completed months of employment since the Grant Date divided by the number of months required to achieve the full vesting of such grant of RSUs reduced by the actual number of RSUs, if applicable, that have previously become vested in accordance with the Plan. Such vested RSUs shall be settled in accordance with Section 4.9.

4.12 No Compensation for Cancelled RSUs Awards

Section 4.11 applies regardless of whether the Participant received compensation in respect of dismissal or was entitled to a period of notice of termination which would otherwise have permitted a greater portion of the RSUs to vest with the Participant. Except as expressly permitted by the Board and the Plan, all RSUs will cease to vest as at the date upon which the Participant ceases to be an Eligible Person. Participants will not be entitled to any compensation in respect of any part of the RSUs which were not vested.

4.13 Non-Transferability of RSUs

Unless the Board determines otherwise in its sole discretion, a Participant may transfer RSUs to a Permitted Assign, provided that the transfer is permitted by, and is effected in accordance with the then applicable policies of the Stock Exchange; for the avoidance of doubt, if the Company is subject to the requirements of the TSX and such exchange so requires, RSUs shall be non-assignable and non-transferrable. Upon any such permitted transfer, the transferred RSUs shall be deemed, for purposes of the Plan, to continue to be held by the Participant, and shall continue to be subject to the terms and conditions of the Plan as if the Participant remained the sole holder thereof. The Board may, in its sole discretion, permit transfers of RSUs other than those contemplated by this Section, subject to Applicable Law and the prior approval of the Stock Exchange or shareholders of the Company, if required.

5. AMENDMENT

5.1 Amendments

- (a) The Board reserves the right, in its absolute discretion, to amend, suspend or terminate the Plan, or any portion thereof, at any time without obtaining Shareholder Approval, subject to those provisions of Applicable Law and Regulatory Approval, if any, that require Shareholder Approval. Such amendments may include, without limitation:

- (i) minor changes of a “house-keeping nature”, including, without limitation, any amendment for the purpose of curing any ambiguity, error or omission in the Plan, or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
 - (ii) amending RSUs under the Plan, including with respect to advancing the date on which any RSU may vest and the effect of termination of a Participant, provided that such amendment does not adversely alter or impair any RSU previously granted to a Participant without the consent of such Participant;
 - (iii) amendments necessary to comply with the provisions of Applicable Law or the applicable rules of the Stock Exchange on which the Shares are then listed, including with respect to the treatment of RSUs granted under the Plan;
 - (iv) amendments respecting the administration of the Plan;
 - (v) amendments necessary to suspend or terminate the Plan; provided that such amendment does not adversely alter or impair any RSU previously granted to a Participant without the consent of such Participant; and
 - (vi) any other amendment, fundamental or otherwise, not requiring Shareholder Approval under Applicable Law or the applicable rules of the Stock Exchange.
- (b) Notwithstanding the foregoing, the Company will be required to obtain Shareholder Approval for any amendment related to the following (provided that such Shareholder Approval is then a requirement of the Stock Exchange):
- (i) the eligibility of a Participant in the Plan;
 - (ii) removing or exceeding the limits on participation in the Plan;
 - (iii) increasing the Plan Limit;
 - (iv) any amendment to the Plan allowing awards granted under the Plan to be transferable or assignable to a new beneficial owner other than for normal estate settlement purposes;
 - (v) granting additional powers to the Board to amend the Plan without Shareholder Approval; and
 - (vi) any amendment to the amending provisions of the Plan.
- (c) Any amendment to any provision of the Plan will be subject to any necessary approvals of the Exchange and other regulatory bodies, if required.
- (d) For the purposes of this Section 5.1, an amendment does not include an accelerated expiry of an RSU by reason of the fact that a Director, Executive Officer, Employee or Consultant ceases to be a Participant.

5.2 Termination

The Board may terminate the Plan at any time in its absolute discretion. If the Plan is so terminated, no further RSUs shall be granted, but the RSUs then outstanding shall continue in full force and effect in accordance with the provisions of the Plan.

6. ADJUSTMENT TO SHARES

6.1 Adjustments

In the event of adjustments in the number of Shares resulting from subdivisions, consolidations, substitutions, or reclassifications of the Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital of the Company or from a proposed merger, amalgamation or other corporate arrangement or reorganization involving the exchange or replacement of Shares of the Company for those in another corporation, then the Board may make such adjustments to this Plan, to any RSUs and to any RSU Agreements outstanding under this Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of amounts to be paid to Participants hereunder. Any dispute that arises at any time with respect to any such adjustment will be conclusively determined by the Board, and any such determination will be binding on the Company, the Participant and all other affected parties.

6.2 Further Adjustments

Subject to Section 6.1 and Applicable Law, if, because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of Shares of the Company for those in another corporation is imminent, the Board may, in a fair and equitable manner, determine the manner in which all unvested RSUs and rights granted under the Plan will be treated including, without limitation, requiring the acceleration of the time for the vesting of such RSUs and the time for the fulfillment of any conditions or restrictions on such vesting. All determinations of the Board under this Section will be final, binding and conclusive for all purposes.

6.3 Limitations

The grant of RSUs under the Plan will in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, amalgamate, reorganize, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets or engage in any like transaction.

7. GENERAL

7.1 Unfunded and Unsecured Plan

The Plan shall be unfunded and neither the Company nor any of its Related Entities will secure the Company's obligations under the Plan. To the extent any Participant or his estate holds rights by virtue of an award of Restricted Share Units under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Company.

7.2 Compliance with Legislation

The Plan, the grant and vesting of RSUs hereunder and the Company's obligation to sell and deliver Shares upon vesting of RSUs is subject to Applicable Law and to such Stock Exchange and regulatory approvals as may, in the opinion of counsel to the Company, be required. Each RSU Agreement will contain such provisions as in the opinion of the Board are required to ensure that no Shares are issued on the vesting of an RSU unless the issuance of such Shares will be exempt from all registration, qualification and Information Circular requirements of securities laws of any jurisdiction and will be permitted under Applicable Law. The Company shall not be obliged by any provision of the Plan or the grant of any RSU hereunder to issue, sell or transfer Shares in violation of Applicable Law or any condition of any Stock Exchange or other regulatory approval. No RSU shall be granted and no Shares issued or sold hereunder where such grant, issue or sale would require registration of the Plan or of Shares under the securities laws of any jurisdiction and any purported grant of any RSU or issue, sale or transfer of Shares hereunder in violation of this provision shall be void. In addition, the Company shall have no obligation to issue any Shares pursuant to the Plan unless such Shares shall have been duly listed, upon official notice of issuance, with the Stock Exchange. Shares issued and sold to Participants pursuant to the vesting of RSUs may be subject to limitations on sale or resale under Applicable Law. In particular, if required by Applicable Law, an RSU Agreement may provide that shareholder approval to the grant of an RSU must be obtained prior to the vesting of the RSU or to the amendment of an RSU Agreement.

7.3 Non-Exclusivity

Nothing contained in the Plan will prevent the Board from adopting other or additional Share Compensation Arrangements, subject to obtaining prior Stock Exchange and other regulatory approval and, if required, Shareholder Approval.

7.4 Employment and Services

Nothing contained in the Plan or in any RSU Agreement will confer upon or imply in favour of any Eligible Person or Participant any right with respect to office, employment or provision of services with the Company or of any Related Entity or interfere in any way with the right of the Company or any Related Entity to lawfully terminate the Eligible Person or Participant's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Eligible Person will be voluntary.

7.5 Change of Status

Unless otherwise provided for herein or in an RSU Agreement, a change in the status, office, position or duties of a Participant from the status, office, position or duties held by such Participant on the date on which an RSU was granted to such Participant will not result in a change in the terms of such RSU provided that such Participant remains an Eligible Person.

7.6 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of Shares issued in accordance with the provisions of the Plan or to the effect of the *Income Tax Act* (Canada) or any other taxing statute governing the RSUs or the Shares issued or issuable thereunder or the tax consequences to a Participant. Compliance with Applicable Law as to the disclosure and resale obligations of each Participant is the responsibility of such Participant and not the Company.

7.7 Rights as a Shareholder

Nothing contained in the Plan nor in any RSU granted hereunder shall be deemed to give any Participant any interest or title in or to any Shares of the Company or any rights as a shareholder of the Company or any other legal or equitable right against the Company whatsoever other than with respect to Shares issued following the vesting of RSUs.

7.8 Discretion of Board

The awarding of RSUs to any Eligible Person is a matter to be determined solely in the discretion of the Board. The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Shares or any other securities in the capital of the Company or any of its subsidiaries other than as specifically provided for in the Plan.

7.9 Notices

The form of all communication relating to the Plan shall be in writing and delivered by recognized overnight courier, certified mail, fax or electronic mail to the proper address or, optionally, to any individual personally. Except as otherwise provided in any RSU Agreement, all notices to the Company or the Board shall be addressed to: c/o the Company at its registered office, Attn: the Chief Financial Officer. All notices to Participants, former Participants, beneficiaries or other persons acting for or on behalf of such persons that are not delivered personally to an individual shall be addressed to such person by the Company or its designee at the last address for such person maintained in the records of the Board or the Company.

SCHEDULE A - NOTICE OF REDEMPTION

HIGHWOOD OIL COMPANY LTD. (the "Company")

This Notice of Redemption is made with reference to the Company's Restricted Share Unit Plan (the "Plan").

Participant Information:

Name: _____

Address: _____

Telephone Number _____

RSU Information:

Date of Grant: _____

of RSUs to be redeemed for Shares: _____

of RSUs to be redeemed for cash: _____

Registration and Delivery:

The Shares issued in settlement of the Vested RSUs, if any, are to be registered in the name of the undersigned and are to be delivered as directed below:

Name: _____

Address: _____

Acknowledgment:

1. This Notice of Redemption is subject to the terms and conditions of the Plan.
2. Capitalized terms used in this Notice of Redemption and not otherwise defined find their meaning in the Plan.
3. RSUs exercised pursuant to this Notice of Redemption will be priced at the Market Price (as defined in the Plan).

Date

Name

Signature

SCHEDULE “G”
HIGHWOOD PERFORMANCE SHARE UNIT PLAN

ARTICLE 1
PURPOSE

1.1 Highwood Oil Company Ltd. (the “**Corporation**”) has established this employee benefit plan (the “**Plan**”) as an integral part of the Corporation’s compensation program. The purpose of the Plan is to advance the interests of the Corporation by encouraging the Participants to hold Shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

1.2 It is the intention of the Corporation that this Plan meet the requirements of an employee benefit plan, as defined under subsection 248(1) of the Tax Act (as defined below).

1.3 The Corporation established the Plan with effect from the date of listing of the Shares on an Exchange.

ARTICLE 2
DEFINITIONS

2.1 In this Plan, including Article 1, unless the context otherwise requires:

- (a) “**Award Date**” means the first business day following the award of Employer Awards pursuant to Section 5.1;
- (b) “**Board**” means the Board of Directors of the Corporation;
- (c) “**business day**” means a day other than a Saturday, Sunday or a day when banks in the City of Calgary, Alberta are not generally open for business;
- (d) “**Corporation**” means Highwood Oil Company Ltd.;
- (e) “**Eligible Participant**” means any officer and employee of the Corporation or its subsidiaries, and employee of a person or company which provides management services to the Corporation or its subsidiaries;
- (f) “**Employer Awards**” means the cash awards made by the Corporation from time to time in accordance with Article 5;
- (g) “**Exchange**” means the TSX Venture Exchange or such other stock exchange on which the Shares are then listed and posted for trading from time to time (as may be designated from time to time by the Board or the Official Representative in their sole discretion);
- (h) “**Fund**” means the fund established as set forth herein for the purposes of the Plan and established in accordance with the terms and provisions of the Trust Deed, to which all contributions to the Plan shall be made and from which all benefits under the Plan shall be payable;
- (i) “**Official Representative**” means the Corporate Governance and Compensation Committee of the Corporation or such other person as may be designated in writing by the Corporate Governance and Compensation Committee or the Board for the purposes of the Plan;
- (j) “**Participant**” means an Eligible Participant who has enrolled in the Plan in accordance with the provisions hereof;

- (k) “**Personal Accounts**” means the accounts maintained for record keeping purposes by the Corporation in regard to each Participant for their respective Employer Awards;
- (l) “**Plan**” means the Employee Benefit Plan of the Corporation set out herein;
- (m) “**Plan Trustee**” means a trustee or any successor trustee appointed by the Corporation pursuant to the terms of the Trust Deed, which is initially Computershare Trust Company of Canada;
- (n) “**Plan Year**” means a calendar year beginning on any January 1st and ending on the subsequent December 31st or the date of the termination of the Fund, whichever is earlier in a particular calendar year; provided that the first Plan Year shall commence on the date of the establishment of the Plan and end on December 31, 2019;
- (o) “**Purchase Period**” means, with the thirty business days following the receipt of funds by a registered dealer from the Plan Trustee pursuant to Section 6.3(a) or 6.3(b);
- (p) “**Shares**” means the common shares of the Corporation;
- (q) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time;
- (r) “**Trust Deed**” means the Trust Deed between the Corporation and the Plan Trustee, as such deed is amended from time to time;
- (s) “**Unrestricted Shares**” means those Shares purchased pursuant hereto and which have vested in accordance with the terms hereof;
- (t) “**Unvested Shares**” means those Shares (and all Shares purchased from dividends or other distributions received on such Shares) purchased by a registered dealer at the direction of the Plan Trustee from Employer Awards on behalf of Participants and which have not vested in accordance with the Vesting Conditions;
- (u) “**Vesting Conditions**” means the vesting conditions, as determined by the Board, in their sole discretion, applicable to a particular Employer Award on an Award Date; and
- (v) “**Vesting Date**” means the date upon which the Vesting Conditions are satisfied.

2.2 Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing a male person include a female person and a corporation and other bodies corporate.

ARTICLE 3 ELIGIBILITY

3.1 Any Eligible Participant, unless excluded from participation in the Plan by the Board or the Official Representative, may become a Participant at any time and may continue as a Participant unless suspended or excluded in accordance with the terms of this Plan.

ARTICLE 4 ENROLMENT IN THE PLAN

4.1 An Eligible Participant shall automatically become a Participant upon the grant of an Employer Award by the Employer for the benefit of such Eligible Participant.

4.2 Upon becoming a Participant in the Plan, each Participant will be deemed to have appointed the Plan Trustee to act on behalf of the Participant to the extent required for the purposes of the Plan.

**ARTICLE 5
EMPLOYER AWARDS**

5.1 The Corporation may specifically resolve to award Employer Awards for the benefit of any Participant or group of Participants in such amounts and at such times as the Board may, in its discretion approve.

5.2 Employer Awards referred to in subsection 5.1 may be made at any time in the Board's discretion.

5.3 If required by national, provincial and territorial legislation, the Corporation, the Plan Trustee or an agent thereof is authorized to withhold from the Employer Awards or any other remuneration paid to Participants any amounts necessary on account of income taxes and other deductions and the Corporation or an agent thereof shall remit all such amounts deducted in accordance with the Tax Act and other national, provincial and territorial legislation.

5.4 Employer Awards made pursuant to this Article 5 shall be deposited with the Plan Trustee pursuant to the terms of the Trust Deed or, if so directed by the Plan Trustee, with an agent of the Plan Trustee for safekeeping and administration.

**ARTICLE 6
INVESTMENT OF FUNDS AND ACQUISITION OF SHARES**

6.1 On or as soon as reasonably possible after an Award Date, the Corporation shall deposit with the Plan Trustee the amount of all Employer Awards for such Award Date.

6.2 The Corporation shall record in each Participant's Personal Account the amount of any Employer Awards made on behalf of that Participant.

6.3 Subject to Section 6.5 and any restrictions imposed by a regulatory body with respect to the purchase of Shares under the Plan, the Plan Trustee shall deliver, as applicable:

- (a) the funds deposited by the Corporation with the Plan Trustee pursuant to Section 6.1; and
- (b) the funds representing any cash dividends received on the Unvested Shares held of record by the Plan Trustee in accordance with Section 9.1,

to a registered dealer, and such registered dealer shall, on the basis of the directions of the Plan Trustee, use such funds as part of the Fund to purchase Shares through the normal market facilities of the Exchange. If a regulatory body imposes restrictions in connection with the purchase of Shares under the Plan, the Corporation shall provide a copy of such restrictions to the Plan Trustee and the Plan Trustee and the applicable registered dealer will comply with such restrictions.

6.4 Subject to Section 6.5:

- (a) a registered dealer who receives funds from the Plan Trustee pursuant to Section 6.3 shall, on the basis of the directions of the Plan Trustee, purchase on behalf of the Plan Trustee, during the applicable Purchase Period, or as soon thereafter as reasonably possible, the greatest number of Shares that such registered dealer is able to purchase with such funds; and
- (b) following the end of the Purchase Period:
 - (i) the registered dealer shall advise the Plan Trustee and the Corporation of the number of Shares purchased during that Purchase Period for that particular Employer Award and confirm that such shares are being held by the Plan Trustee's agent; and
 - (ii) the Corporation shall allocate the Shares purchased during that Purchase Period for that particular Employer Award on behalf of the Participants, as appropriate, to the Personal Account of each Participant in proportion to the Employer Awards of that Participant.

6.5 If, for any reason, a registered dealer who receives funds from the Plan Trustee pursuant to Section 6.3 is unable to purchase, on behalf of the Plan Trustee, a sufficient number of Shares pursuant to Section 6.3 during the applicable Purchase Period so as to use substantially all of such funds received pursuant to Section 6.3, such registered dealer shall, subject to any restrictions imposed by a regulatory body with respect to the purchase of Shares under the Plan, purchase Shares as they become available and shall allocate the Shares so purchased to the Fund in the manner provided in Section 6.4. If a regulatory body imposes restrictions in connection with the purchase of Shares under the Plan, the Corporation shall provide a copy of such restrictions to the Plan Trustee and the Plan Trustee and the applicable registered dealer will comply with such restrictions.

6.6 All warrants, options, rights or entitlements for equity participation received by the Plan Trustee on any Unvested Shares held pursuant to the Plan shall, to the extent that a market can be defined, be sold by a registered dealer at the direction of the Plan Trustee. The proceeds from the sale of any options, rights, warrants or entitlements for equity participation and any distributions received by the Plan Trustee for Unvested Shares held pursuant to the Plan shall be used to purchase additional Shares which shall be allocated to the Fund in general, and then to respective Participant's Personal Accounts by the Corporation in proportion to the number of Unvested Shares in the Personal Accounts constituting the Fund.

6.7 Brokerage commissions, transfer taxes and other charges or expenses of the purchase of Unvested Shares will be paid by the Corporation.

ARTICLE 7 VESTING

7.1 All Unvested Shares acquired by a registered dealer, at the direction of the Plan Trustee, pursuant to Sections 6.3(a) or 6.3(b) and all dividends, including any dividends from any additional Unvested Shares purchased with the dividends from such Unvested Shares or the sale of warrants, options rights or entitlements for equity participation attributable to such Unvested Shares in accordance with Article 6, shall be held by the Plan Trustee or in the name of such other person as may be designated by the Plan Trustee as part of the Fund until the applicable Vesting Date.

7.2 On the applicable Vesting Date:

- (a) all Unvested Shares acquired by the Plan Trustee with Employer Awards and all dividends, including any dividends from any additional Unvested Shares purchased with the dividends from such Unvested Shares or the sale of warrants, options rights or entitlements for equity participation attributable to such Unvested Shares in accordance with Article 6 shall vest in the Participant and become Unrestricted Shares at that time;
- (b) on direction from the Corporation, the Plan Trustee shall sell a sufficient number of Unrestricted Shares to cover any amounts necessary on account of income taxes; and
- (c) such net Unrestricted Shares shall be immediately distributed to such Participant by the Plan Trustee.

7.3 All Unrestricted Shares of a Participant and all of the dividends, including any dividends from any additional Shares purchased with the dividends from such Shares or the sale of warrants, options, rights or entitlements for equity participation attributable to such Shares in accordance with Article 6, shall at all times be beneficially owned by such Participant.

7.4 Except as otherwise provided in this Article 7, in the event a Participant's entitlement to participate in the Plan has been terminated, then the right of such Participant to receive any Unvested Shares forming part of the Fund which would have otherwise been receivable by such Participant after such time shall be immediately forfeited by the Participant upon termination of the Participant's entitlement to participate in the Plan.

7.5 If:

- (a) the Participant becomes totally and permanently disabled;

- (b) the Participant ceases to be an Eligible Participant, including by way of:
 - (i) resignation;
 - (ii) retirement; or
 - (iii) termination (whether with or without cause); or
- (c) the Participant dies,

then any Unvested Shares forming part of the Fund which would have otherwise been receivable by such Participant after such time shall be immediately forfeited by such Participant and such Unvested Shares shall continue to be held by the Plan Trustee and reallocated amongst Participants as per the direction of the Corporation. .

ARTICLE 8 ACCOUNTS AND ALLOCATIONS

8.1 The Plan Trustee shall establish an account maintained for record keeping purposes by the Plan Trustee in regard to the Fund for Employer Awards for the purpose of recording the interest of Plan Trustee in the assets constituting the Fund from time to time.

8.2 The Plan Trustee shall record in the account maintained for record keeping purposes referred to in Section 8.1:

- (a) the number of Shares purchased with Employer Awards;
- (b) the number of Unrestricted Shares held in such account, if any;
- (c) the number of Unvested Shares held in such account;
- (d) all dividends received on Shares held in such account;
- (e) the number of Shares purchased with dividends received on Shares held in such account; and
- (f) all payments and distributions from the account.

8.3 The Corporation shall establish a Personal Account for each Participant for the purpose of recording the beneficial interest of each Participant in the assets constituting the Fund from time to time.

8.4 The Corporation shall record in each Personal Account:

- (a) the number of Shares allocated to such Participant with Employer Awards;
- (b) the number of Unrestricted Shares allocated to such Participant;
- (c) the number of Unvested Shares allocated to such Participant;
- (d) all dividends received on Shares allocated to such Participant;
- (e) the number of Shares purchased with dividends received on Shares allocated to such Participant; and
- (f) all payments and distributions from the Personal Account.

**ARTICLE 9
REGISTRATION AND VOTING**

9.1 Unvested Shares purchased by a registered dealer at the direction of the Plan Trustee under this Plan shall be registered in the name of the Plan Trustee or in the name of such other person as may be designated by the Plan Trustee.

9.2 Unvested Shares allocated to a Participant's Personal Account shall not be voted by the Plan Trustee or such other person designated by the Plan Trustee as the registered holder of such Shares or the Participant.

**ARTICLE 10
PROHIBITION OF ASSIGNMENT OF INTEREST**

10.1 All rights of participation in the Plan are personal to the Participant and no assignment or transfer of any interest in the Shares held by the Plan Trustee or in the name of such other person as may be designated by the Plan Trustee under the Plan will be permitted or recognized.

**ARTICLE 11
TAXES**

11.1 The Participant shall be responsible for paying all income and other taxes of any nature applicable to Employer Awards and the property forming part of the Fund from time to time and to transactions involving the Shares (except as otherwise provided for in Section 6.7) held by the Plan Trustee or in the name of such other person as may be designated by the Plan Trustee on his or her behalf including, without limitation, any taxes payable on:

- (a) Employer Awards made to the Fund and expenses incurred by the Plan Trustee or any registered dealer on behalf of a Participant;
- (b) all profits for the Plan Year from the property held in the Participant's Personal Account (including capital gains or capital losses);
- (c) the transfer of Shares to the Participant or a person designated by the Participant; and
- (d) dividends paid on Unrestricted Shares that are distributed to a Participant in the Plan Year in which such dividends were paid.

11.2 The Corporation, or any other person designated by the Corporation including the Plan Trustee, is authorized to deduct from any amounts payable to a Participant hereunder, any amounts which are required to be withheld on account of taxes and the Corporation, or any other person designated by the Corporation, must remit all amounts deducted in accordance with the Tax Act and other national, provincial and territorial legislation.

**ARTICLE 12
SUBDIVISION, CONSOLIDATION, CONVERSION OR RECLASSIFICATION**

12.1 In the event that the Shares are subdivided, consolidated, converted or reclassified, or any action of a similar nature affecting such Shares shall be taken, then the Unvested Shares held by the Plan Trustee shall be appropriately adjusted.

**ARTICLE 13
AMENDMENT, TERMINATION AND WAIVER**

13.1 The Corporation may at any time, or from time to time, by resolution of the Board, amend or terminate this Plan in whole or in part. However, the Corporation may not amend or terminate this Plan in a manner which would deprive a Participant of any benefits that have accrued to the date of amendment or termination or which would cause or permit any Shares or cash held pursuant to the Plan or any Employer Awards to revert to or become the property of the Corporation.

13.2 If the Plan is terminated, all Shares and cash belonging to a Participant as shown in the Participant's Personal Account shall be paid to the Participant or as directed by the Participant within 90 days of the termination of the Plan.

13.3 Notwithstanding any other provision of the Plan, the Official Representative may, at his or her discretion, waive any condition of the Plan if specific individual circumstances warrant such waiver.

ARTICLE 14 ADMINISTRATION

14.1 The Board shall have full power and authority to construe, interpret and administer the Plan, including the power to appoint any person or persons to carry out its provisions in conformity with the objectives of the Plan and to waive the application of certain provisions of this Plan in circumstances deemed appropriate by the Board in its sole discretion and under such rules as the Board may from time to time establish. Decisions of the Board shall be final and binding upon the Corporation, Eligible Participant and Participants.

14.2 The Corporation may from time to time enter into such agreements with the Plan Trustee or other parties as it may deem necessary or desirable to carry out this Plan.

14.3 The Plan Trustee, with the consent of the Corporation, may engage the services of third parties as it may deem necessary or desirable to carry out this Plan, such consent not being required for engaging registered dealers.

14.4 The Corporation will provide a copy of the Plan or a summary of the Plan to all new Participants.

14.5 Records of any registered dealer, Plan Trustee and the Corporation will be conclusive as to all matters involved in administration of the Plan.

14.6 All fees, costs and expenses of administering the Plan, including any registered dealer's administrative costs to acquire Shares, shall be paid by the Corporation.

14.7 If this Plan requires a notice to be in a prescribed form, then the Official Representative must prescribe the form of the notice and may prescribe the manner in which it is given.

14.8 Any notice from the Corporation under this Plan to be given in writing may be delivered or sent by email to the email address of the Participant maintained in the internal email system of the Corporation (in which case it is deemed to be given on the first business day following the delivery or transmission) or may be sent by mail (in which case it is deemed to have been received on the second day following the mailing).

ARTICLE 15 REPORTING

15.1 After the end of each calendar year, the Corporation will issue to each Participant all applicable tax receipts under the Tax Act within the time periods required under the Tax Act.

15.2 The Corporation shall ensure that all information returns required by the applicable provisions of the Tax Act respecting any tax liability of amounts allocated to the Personal Accounts will be forwarded to the respective Participants of the Plan in accordance with the applicable provisions of the Tax Act.

15.3 As soon as possible after the end of each calendar year, the Corporation shall furnish by mail or otherwise to each Participant a written statement of his or her Personal Account. Unless written notice to the contrary is received by the Corporation within 60 days after the end of each calendar year, such statement shall be conclusively deemed to be correct and the Corporation shall be relieved of liability for any error contained therein or disclosed thereby.

ARTICLE 16
LIMITATION OF RIGHTS OF THE ELIGIBLE PARTICIPANT

16.1 This Plan is a voluntary program on the part of the Corporation and shall not constitute an inducement to, or condition of, the employment of any Eligible Participant. Nothing contained in this Plan shall give any Eligible Participant, whether a Participant or not, the right to be restricted in the service of the Corporation or shall interfere with the right of the Corporation to discharge any Eligible Participant whether a Participant or not at any time. Enrolment in this Plan will not give any Participant any right or claim to any benefit, present or future, except to the extent provided for in the Plan.

16.2 The Corporation, any registered dealer and the Plan Trustee shall not be liable to any Participant for any loss resulting from a decline in the market value of any Shares purchased pursuant to the Plan.

ARTICLE 17
APPLICABLE LAW

17.1 The Plan shall be construed and the rights and obligations of the parties hereunder determined in accordance with the laws of the Province of Alberta.

APPENDIX C INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented on a post-Highwood QT basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer. As the Resulting Issuer will be the same corporate entity as Highwood Oil Company Ltd. (“Highwood”), this Appendix only includes information respecting Highwood (and Predator Blockchain Capital Corp (“PBC”), as applicable) after giving effect to the Highwood QT that is materially different from information provided earlier in this Circular regarding PBC prior to the Completion of the Highwood QT. See Appendix “A”, “Information Concerning PBC”, to the Circular and Appendix “B”, “Information Concerning Highwood Oil Company Ltd.”, to the Circular for additional information regarding PBC and Highwood, respectively. See also the Pro Forma Financial Statements of the Resulting Issuer attached hereto as Appendix “E”.

Name and Incorporation

In connection with the Completion of the Highwood QT, PBC and Highwood will amalgamate and will file articles of amalgamation to effect the Amalgamation. The Resulting Issuer will be named Highwood Oil Company Ltd. and will continue to be incorporated under the ABCA following Completion of the Highwood QT.

Following Completion of the Highwood QT, the Resulting Issuer’s head office will be located at 900, 222 - 3 Ave SW, Calgary, Alberta, T2P 0B4 and its registered office will be Suite 1000, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1.

Intercorporate Relationships

Pursuant to the Amalgamation, PBC will amalgamate with Highwood and continue operations under the name “Highwood Oil Company Ltd.” or such other name as may be selected by Highwood.

Narrative Description of the Business

Following Completion of the Highwood QT, the Resulting Issuer’s principal business will be that of Highwood. See “*Information Concerning Highwood Oil Company Ltd. – Narrative Description of the Business*” at Appendix “B” to the Circular.

Stated Business Objectives

Milestones

The principal milestones that must occur for the stated business objectives described above to be accomplished are as follows:

Milestone	Target Commencement Date	Target Completion Date	Estimated Cost
Drill and delineate Clearwater Resource Play	September 2018	September 2020	Estimated costs to drill 8-10 net wells will be \$9-12 million dollars.
Continue resource development at Red Earth with Q4 2019/Q1 2020 frac and recompletion program	December 2018	March 2019	\$2,000,000
Total			\$11,000,000 - \$14,000,000

Description of the Securities

The authorized share capital of the Resulting Issuer will consist of an unlimited number of RI Shares and an unlimited number of preferred shares, without nominal or par value, issuable in series.

Common Shares

Prior to Completion of the Highwood QT, subject to receipt approval by the PBC Shareholders, all of the PBC Common Shares will be consolidated on the basis of one post-PBC Consolidation common share for each 53 existing PBC common shares. See “*Description of the Transaction*”.

The holders of the Resulting Issuer Common Shares will be entitled:

- (a) to receive notice of and to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;
- (b) to receive any dividend declared by the Resulting Issuer on that class of shares, provided that the Corporation shall be entitled to declare dividends on the Resulting Issuer Preferred Shares, or on any of such classes of shares without being obliged to declare any dividends on the Resulting Issuer Common Shares;
- (c) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Resulting Issuer, to receive the remaining property of the Resulting Issuer upon dissolution in equal rank with the holders of all other Resulting Issuer Common Shares; and
- (d) to the rights, privileges, conditions and restrictions normally attached to common shares.

Preferred Shares

There are currently no classes of PBC Preferred Shares that have been created or which are outstanding and as such, upon the Completion of the Highwood QT, no Resulting Issuer preferred shares will be outstanding. The Resulting Issuer preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The Resulting Issuer preferred shares are entitled to a priority over the RI Shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Resulting Issuer.

Pro Forma Consolidated Capitalization

The following table summarizes the Resulting Issuer’s consolidated capitalization as at September 30, 2018, after giving

effect to the Highwood QT as well as the Company Private Placement. The table should be read in conjunction with the financial statements of PBC, Highwood and the pro-forma financial statements of the Resulting Issuer, including the notes thereto, included at Schedule “FS” to Appendix “A” and Appendix “B” and “E” to this Circular, respectively.

Description	Amount Authorized	Number outstanding after giving effect to the Highwood QT ⁽¹⁾ (unaudited)
Resulting Issuer Common Shares ⁽⁴⁾	Unlimited	5,932,883
Resulting Issuer Common Shares from Private Placement ⁽⁶⁾	8,800	8,800
Resulting Issuer Agent Options ⁽²⁾	7,547	7,547
Resulting Issuer Options ⁽²⁾	18,868	18,868
Resulting Issuer New Options ⁽³⁾	10% of Issuer Common Shares ⁽⁵⁾	89,600
Resulting Issuer New RSUs ⁽³⁾	10% of Issuer Common Shares ⁽⁵⁾	89,600
Resulting Issuer New PSUs ⁽³⁾	10% of Issuer Common Shares ⁽⁵⁾	49,000

Notes:

- (1) Pro forma retained earnings of the Resulting Issuer at September 30, 2018 is \$13,385,608.
- (2) Resulting Issuer Agent Options and options previously issued to PBC founders which have been exchanged 53:1 prior to Completion of the Highwood QT.
- (3) New options, RSUs and PSUs which are contemplated for issuance on Completion of the Highwood QT.
- (4) Of the outstanding shares after giving effect to the Highwood QT, approximately 4,634,946 will be subject to escrow. See “Escrowed Securities”, below.
- (5) Options, PSUs and RSUs authorized are subject to combined 10% limit of Common Shares outstanding.
- (6) Assumes maximum issue of 8,800 shares as per Highwood Private Placement (4,400 to 8,800 shares).

Fully Diluted Share Capital

The following table summarizes the number and percentage of securities of the Resulting Issuer to be outstanding on a fully diluted basis after giving effect to the Highwood QT:

	Number of RI Shares After Giving Effect to the Highwood QT	Percentage of Total After Giving Effect to the Highwood QT
Held by existing PBC Shareholders	188,679	3.0%
Held by new PBC Shareholders after the Highwood Private Placement ⁽²⁾	8,800	0.1%
Held by Former Highwood Shareholders ⁽¹⁾	5,744,204	92.7%
RI Shares issuable upon exercise of PBC Agent Options	7,547	0.1%
RI Shares issuable upon exercise of PBC Options	18,868	0.3%
RI Shares issuable upon exercise of New Highwood Options ⁽¹⁾	89,600	1.5%

	Number of RI Shares After Giving Effect to the Highwood QT	Percentage of Total After Giving Effect to the Highwood QT
RI Shares issuable upon exercise of New Highwood RSUs ⁽¹⁾	89,600	1.5%
RI Shares issuable upon exercise of New Highwood PSUs ⁽¹⁾	49,000	0.8%
Fully-Diluted Total	6,196,298	100.0%

Notes:

- (1) New Highwood stock options and RSUs contemplated for close of the Highwood QT which will not vest until 1 year from Highwood QT date.
- (2) Assumes maximum issue of 8,800 shares as per Highwood Private Placement (4,400 to 8,800 shares).

Available Funds and Principal Purposes

Funds Available

The following table sets out information respecting the Resulting Issuer's sources of funds and intended uses of such funds upon Completion of the Highwood QT. The amounts shown in the table are estimates only and are based upon the information available to Highwood as of the date hereof.

The intended uses of such funds and/or the Resulting Issuer's development capital needs may vary based upon a number of factors. See "*Risk Factors – Risks Relating to the Business to be Carried on by the Resulting Issuer*".

Sources	Assuming Completion of the Highwood QT \$
Estimated working capital deficit of the Resulting Issuer as at November 30, 2018 ⁽¹⁾	(27,161,000)

Notes:

- (1) Highwood currently has a demand loan with a Canadian chartered bank for a maximum of \$38,000,000 of which \$33,000,000 has been drawn and therefore has a working capital deficit at November 30, 2018. Total estimate above is based on estimated working capital deficit of Highwood of approximately \$27,750,000 as of November 30, 2018 and estimated working capital of PBC of approximately \$589,000 as of November 30, 2018. Excluding the demand loan, Highwood would have positive working capital of \$5,250,000.
- (2) The conversion of the demand loan to a term loan is a closing condition of the Highwood QT.

Principal Use of Available Funds

Principal Purposes of Available Funds	Percent of Available Funds
Drilling and recompletion/well optimizations	100%

Dividends

The Resulting Issuer does not currently intend to declare or pay any dividends payable to the holders of the RI Shares. The Resulting Issuer has no restrictions on paying dividends except as a result of the preference of the Resulting Issuer Preferred Shares and the solvency tests under applicable corporate law, but if the Resulting Issuer generates earnings in the foreseeable future, it expects that they will be retained to pay down its debt (if any) and to finance growth opportunities that may be available. The directors of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer's financial position at the relevant time. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid. There are currently no Resulting Issuer preferred shares issued or outstanding.

Principal Securityholders

To the knowledge of the directors and senior officers of PBC and Highwood, as of the date of this Circular and after giving effect to the Highwood QT, the following persons will beneficially own, control or direct, directly or indirectly, any RI Shares carrying more than 10% of the voting rights attached to all outstanding RI Shares.

Shareholder	RI Shares	Total Ownership Assuming Highwood QT	Total Ownership Assuming Private Placement ⁽³⁾
1080766 Alberta Ltd. ⁽¹⁾	4,045,862 ⁽²⁾	68.2% ⁽²⁾	68.1% ⁽⁴⁾

Notes:

- (1) Joel A. MacLeod has beneficial ownership and control of 1080766 Alberta Ltd.
- (2) Total ownership would be 4,045,862 RI Shares reflecting 65.4% total ownership on fully-diluted basis.
- (3) Assumes maximum issue of 8,800 shares as per Highwood Private Placement (4,400 to 8,800 shares).
- (4) Total ownership would be 4,045,862 RI Shares reflecting 65.3% total ownership on fully-diluted basis.

Directors, Officers and Promoters of the Resulting Issuer

Name, Address, Occupation and Security Holdings

The following table provides the names of the proposed directors and officers of the Resulting Issuer following Completion of the Highwood QT, their municipalities of residence, position, principal occupations and the number of RI Shares that each of the individuals will beneficially own, control or direct, directly or indirectly as of the date of the Circular (after giving effect to the Highwood QT).

Name, Municipality of Residence and Position(s) Held	Director or Officer of PBC or Highwood Since	Principal Occupation Over the Past 5 Years	RI Shares Outstanding at Closing		
			Number of Shares	Percentage (%) ⁽⁴⁾	Percentage (%) ⁽⁵⁾
Greg Macdonald Okotoks, Alberta President, Chief Executive Officer and Director	May 11, 2015	President, CEO & Director of Highwood since June 15, 2017 and President & COO of Highwood since May 11, 2015. Prior thereto, VP, Engineering with Highwood from May 2014 to May 2015. VP, Engineering with Predator Midstream from May 2014 to August 2014. VP, Engineering with Tidewater Midstream & Infrastructure Ltd. from March 2015 to December 2016. Senior Area Manager, Molopo Energy Canada from August 2013 to May 2014. Greg has served as a director for Cedar Creek Energy Ltd. from December 2016 to present, Mach Energy Services Inc. from January 2015 to June 2017, Hoist Capital Corporation from September 2018 to present and Battle River Energy from June 2018 to present.	311,438	5.2	5.2

Name, Municipality of Residence and Position(s) Held	Director or Officer of PBC or Highwood Since	Principal Occupation Over the Past 5 Years	RI Shares Outstanding at Closing		
			Number of Shares	Percentage (%) ⁽⁴⁾	Percentage (%) ⁽⁵⁾
Graydon Glans Calgary, Alberta Chief Financial Officer & Secretary	June 15, 2015	Chief Financial Officer of Highwood since June 15, 2015. Prior thereto, Controller, PRD Canada, Secure Energy Services from August 2014 to April 2015. Manager Financial Reporting, Predator Midstream Ltd. from May 2014 until its sale in August 2014. Manager, Collins Barrow Calgary LLP from January 2013 to April 2014.	19,877	0.3	0.3
Kelly McDonald Calgary, Alberta VP Exploration	February 1, 2017	Vice President Exploration of Highwood since February 1, 2017. Prior thereto, Principal, KJ McDonald Consulting from April 2016 to February 2017 and from May 2013 to June 2014, VP, Exploration, Reserve Royalty Income Trust from October 2014 to March 2016, Geological Manager, Lighthouse Oil and Gas LP, June 2014 to October 2014.	19,000	0.3	0.3
Stephen J. Holyoake ⁽¹⁾⁽²⁾ Calgary, Alberta Director	October 10, 2012	President and Chief Executive Officer of Fireweed Energy Ltd. since February 2017. Director of Predator Oil BC Ltd. from February 2017 to June 2018. Director of Tidewater since April 2016. Director of Fireweed Energy Ltd. since January 2016. Prior thereto, Vice President, Drilling and Completions of Tangle Creek Energy Ltd. from May, 2012 to February, 2017. Prior thereto, Vice President, Operations of SkyWest Energy Corp. from May 2010 to December 2011.	149,587	2.5	2.5
Trevor Wong-Chor ⁽¹⁾⁽²⁾ Calgary, Alberta Director	N/A	Partner with DLA Piper (Canada) LLP (and its predecessor firms) since September, 2004. Prior thereto, Partner and Associate at Borden Ladner Gervais LLP (and its predecessor firms) from 1998 to 2004	3,774	0.1	0.1

Name, Municipality of Residence and Position(s) Held	Director or Officer of PBC or Highwood Since	Principal Occupation Over the Past 5 Years	RI Shares Outstanding at Closing		
			Number of Shares	Percentage (%) ⁽⁴⁾	Percentage (%) ⁽⁵⁾
Arif Shivji ⁽¹⁾⁽²⁾ Victoria, BC Director	N/A	President, CEO and CFO of Predator Blockchain Capital Corp. since February 2018. President & CEO Hoist Capital Corp since July 2018. CFO of Highwood from 2012 to 2014 and CFO Predator Midstream from 2012 to August 2014.	60,377	1.0	1.0

Notes:

- (1) Proposed member of the Audit Committee.
- (2) Proposed member of the Corporate Governance & Compensation Committee.
- (3) Don Garner of Calgary, Alberta was a Director of Highwood from August 2012 to August 2018. Joel A. MacLeod of Calgary, Alberta is a current director of Highwood (since August 2012) but it not a contemplated director of the Resulting Issuer.
- (4) Ownership percentage assuming closing of the Highwood QT.
- (5) Assumes close of Highwood QT and maximum issue of 8,800 shares as per Highwood Private Placement (4,400 to 8,800 shares).

As at the date of this Circular, after giving effect to the Highwood QT, the proposed directors and officers of the Resulting Issuer, as a group, will beneficially own, or control or direct, directly or indirectly, 564,054 RI Shares (excluding, for clarity, RI Shares issuable upon the exercise of Resulting Issuer Options), representing approximately 9.5% of the issued and outstanding RI Shares (on a non-diluted basis) assuming no Dissent Rights are exercised with respect to the Amalgamation Resolution and no Resulting Issuer Options or Resulting Issuer Agent Options are exercised.

Management & Directors

The following is a brief description of each of the proposed key members of management and the Directors of the Resulting Issuer (including details with regard to their principal occupations for the last five years).

Greg Macdonald
President and Chief
Executive Officer; Director

Mr. Macdonald has more than 18 years of experience in both Canada and the U.S. and holds a Bachelor of Science degree in Oil & Gas Engineering from the University of Calgary. Previously, Mr. Macdonald was the VP, Engineering of Tidewater Midstream & Infrastructure Ltd., a public oil & gas midstream company. Prior thereto, Mr. Macdonald worked in various engineering roles at both private and public oil and gas companies. Mr. Macdonald has been actively involved in more than 30 oil and gas acquisitions ranging in size from \$100,000 to \$200 million. Mr. Macdonald is 39 years of age.

Mr. Macdonald will be a full-time employee of the Resulting Issuer.

Graydon Glans
Chief Financial Officer and
Corporate Secretary

Mr. Glans is a Chartered Accountant and CFA Charterholder with over 10 years of financial and management experience with public and private companies. He obtained a Bachelor of Commerce degree from the University of British Columbia in 2009, received his Chartered Accountant designation in February 2012 and became a CFA Charterholder in August 2015. Prior to becoming the Chief Financial Officer of Highwood in April 2015, Mr. Glans has held the positions of Controller, PRD Canada, with Secure Energy Services and Manager Financial Reporting, Predator Midstream Ltd. Mr. Glans articulated and was a former manager with Collins Barrow Calgary LLP. Mr.

Glans is 31 years of age.

Mr. Glans will be a full-time employee of the Resulting Issuer.

Kelly McDonald
VP, Exploration

Mr. McDonald is a Professional Geologist with over 25 years of oil and gas experience in Canada and the US. Mr. McDonald has been an officer in a number of oil and gas companies over the last 10 years and has been intricately involved in exploration and development of both conventional and unconventional assets across North America. Mr. McDonald has been actively involved in over 30 oil and gas acquisitions ranging from \$100,000 to \$150 Million. Mr. McDonald obtained a Bachelor of Science with a Specialization in Geology from the University of Calgary in 1995 and is a Professional Geologist in the Province of Alberta. Mr. McDonald is 47 years of age.

Mr. McDonald will be a full-time employee of the Resulting Issuer.

Stephen J. Holyoake
Director

Mr. Holyoake brings over 20 years of operations, engineering and management experience to the Resulting Issuer. He has worked in all disciplines of the oil and gas business from exploration to midstream operations. Mr. Holyoake is a Professional Engineer and obtained his Degree in Petroleum Engineering from Montana School of Mines in 1997 and a Petroleum Engineering Technology Diploma from the Southern Alberta Institute of Technology in 1993. Mr. Holyoake expects to devote the time necessary to perform the work required in connection with acting as a director of the Resulting Issuer. Mr. Holyoake is 45 years of age.

Trevor Wong-Chor
Director

Mr. Wong-Chor has been a Partner of DLA Piper (Canada) LLP (and its predecessor firms) since September 2004. Prior thereto, he was Partner and Associate at Borden Ladner Gervais LLP (and its predecessor firms) from 1998 to 2004. He is a corporate secretary or director of a number of public and private companies. Mr. Wong-Chor obtained a Bachelor of Arts degree from the University of Victoria in 1992 and a Bachelor of Laws degree from the University of Calgary in 1997. Mr. Wong-Chor expects to devote the time necessary to perform the work required in connection with acting as a director of the Resulting Issuer. Mr. Wong-Chor is 50 years of age.

Arif Shivji
Director

Mr. Shivji is a Chartered Accountant, CFA Charterholder and holds an MBA from the Richard Ivey School of Business. He has over 20 years of financial and management experience with entities of various sizes in the Canadian energy sector. Mr. Shivji was the CFO of Highwood from 2012 to 2014 and was the CFO of Predator Midstream Ltd. from 2012 until the sale of the company's assets in August 2014 to Secure Energy Services. Previously, he was Manager of Transaction Services with PWC Advisory. Mr. Shivji is 42 years of age.

Promoter

Joel A. MacLeod is considered to be the promoter of the Resulting Issuer in that he took the initiative in founding and organizing Highwood. As Mr. MacLeod is a shareholder of Highwood, he will receive RI Shares in connection with the Completion of the Highwood QT.

Shareholder	RI Shares	Total Ownership
1080766 Alberta Ltd. ⁽¹⁾	4,045,862 ⁽²⁾	68.2% ⁽²⁾

Notes:

- (1) Joel A. MacLeod has beneficial ownership and control of 1080766 Alberta Ltd.
- (2) Total ownership would be 4,045,862 RI Shares reflecting 65.4% total ownership on fully-diluted basis.

Cease Trade Orders or Bankruptcies

To the knowledge of PBC and Highwood, as applicable, no proposed director, officer or promoter is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Highwood or PBC) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

To the knowledge of PBC and Highwood, as applicable, no proposed director officer or promoter is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including Highwood or PBC) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No proposed director, officer or promoter of the Resulting Issuer, or shareholder anticipated to hold a sufficient number of RI Shares to affect materially the control of the Resulting Issuer following Completion of the Highwood QT, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The foregoing information, not being within the knowledge of PBC or Highwood, has been furnished by the respective proposed directors, officers and shareholders of the Resulting Issuer.

Personal Bankruptcies

To the knowledge of PBC and Highwood, no proposed director, officer or promoter of the Resulting Issuer has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

Conflicts of Interest

Trevor Wong-Chor, is a Director of the Resulting Issuer, and a Partner with DLA Piper (Canada) LLP, a law firm which provides legal services to the Resulting Issuer on a fee for services basis.

There are potential conflicts of interest to which the directors and officers of the Resulting Issuer may be subject to in connection with the operations of the Resulting Issuer. In particular, certain directors and officers of the Resulting Issuer and its subsidiaries are associated with other reporting issuers or other corporations, including Fireweed Energy Ltd. and Tidewater Midstream & Infrastructure Ltd., which may give rise to conflicts of interest with the Resulting Issuer. See “Principal Shareholders”, “Description of the Business – History and Recent Transactions”, “Interests of Management and Others in Material Transactions”, and “Promoters”.

Highwood, as sub-tenant, and Tidewater, as sub-landlord, are parties to a sub-lease agreement dated March 31, 2017 regarding Highwood's head office lease.

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Resulting Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Resulting Issuer. Certain of the directors and each of the executive officers of the Resulting Issuer have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers of the Resulting Issuer will only be able to devote part of their time to the affairs of the Resulting Issuer. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name (all reporting issuers in Canada)	Name of Trading Market	Position	From	To
Greg Macdonald	Tidewater Midstream and Infrastructure Ltd.	TSX Venture	VP Engineering	2015	2017
	Hoist Capital Corp.	TSX Venture	Director	2018	Current
Stephen J. Holyoake	Tidewater Midstream and Infrastructure Ltd. ⁽¹⁾	TSX Venture/TSX	Director	2015	Current
	Predator Blockchain Capital Corp.	TSX Venture	Director	2018	Current
	Hoist Capital Corp.	TSX Venture	Director	2018	Current
Trevor Wong-Chor	Tidewater Midstream and Infrastructure Ltd. ⁽¹⁾	TSX Venture/TSX	Director or Assistant Corporate Secretary	2015	Current
	Rider Investment Capital Corp.	TSX Venture	Director	2018	Current
	Predator Blockchain Capital Corp.	TSX Venture	Director	2018	Current
	Cortex Business Solutions Inc.	TSX Venture	Secretary	2006	Current
	Draft Team Daily Fantasy Sports Corp.	TSX Venture	Secretary	2008	2016
	Blackhawk Resource Corp.	TSX Venture	Secretary	2009	Current
	Octant Energy Corp.	TSX Venture	Secretary	2012	2016
Southern Pacific Resource Corp.	TSX	Secretary	2006	2015	

Name	Name (all reporting issuers in Canada)	Name of Trading Market	Position	From	To
	Africa Hydrocarbons Inc.	TSX Venture	Secretary	2013	2016
Arif Shivji	Hoist Capital Corp.	TSX Venture	President & CEO	2018	Current
	Predator Blockchain Capital Corp.	TSX Venture	President & CEO	2018	Current
	Oil Optimization Inc.	TSX Venture	CFO	2018	Current

Note:

- (1) Tidewater Midstream and Infrastructure graduated from the TSX Venture to the TSX in November, 2017.

Executive Compensation

Compensation Discussion and Analysis

The Resulting Issuer's proposed executive compensation objectives and processes and decisions relating to its proposed Named Executive Officers ("NEO's") are initially expected to be substantially similar to those of Highwood, and will be approved by the Corporate Governance & Compensation Committee of the Resulting Issuer.

Summary Compensation Table

The following table contains information about the compensation that is proposed to be payable to the Resulting Issuer's NEOs for the 12-month period from the date of this Circular after giving effect to the Highwood QT.

NEO Name and principal position	Salary (\$)	Share-based awards ⁽²⁾⁽³⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other Comp. (\$)	Total Comp. (\$)
				Annual Incentive Plans ⁽¹⁾	Long-term incentive plans			
Greg Macdonald, President & CEO	185,000	288,000	117,000	185,000	-	-	-	775,000
Graydon Glans, CFO	185,000	288,000	117,000	185,000	-	-	-	775,000
Kelly McDonald, VP Exploration	185,000	288,000	117,000	185,000	-	-	-	775,000

Notes:

- (1) Annual Incentive Plans numbers are based on the assumption that 100% of the Target Payment for each NEO will have been achieved. If the criteria for a payment equal to 100% of the Target Payment are not met by a NEO, the actual Annual Incentive Plan payment made to such NEO is expected to be lower than the number disclosed in this table.
- (2) Calculated using a Black-Scholes valuation assuming grant on closing of Highwood QT.
- (3) Constitutes RSU and PSU share awards.

Incentive Plan Awards – NEOs

As set out in the Amalgamation Agreement, in connection with the Completion of the Highwood QT, all Highwood Options held by the Resulting Issuer's NEOs which have not been exercised shall be surrendered for cancellation in exchange for Resulting Issuer Options, having the same terms and conditions as the cancelled Highwood Options, including the term to expiry, vesting conditions and manner of exercising, as adjusted in respect of the Exchange Ratio. See "Options to Purchase Securities".

Upon the Completion of the Highwood QT, Resulting Issuer Options may be granted by the Resulting Issuer to NEOs; however, the terms and intended recipients have yet to be determined.

Defined Contribution, Deferred Compensation and Pension Plans

The Resulting Issuer does not intend to have a pension plan or similar benefit program.

Termination and Change of Control Benefits

It is expected that the existing employment agreements of each of Greg Macdonald, Graydon Glans and Kelly McDonald with Highwood will be assigned to the Resulting Issuer effective on the Effective Date, such that the termination and change of control benefits to which each of these individuals is currently entitled in respect of Highwood will become their entitlements with respect to any future termination of their employment or a change of control of the Resulting Issuer in the circumstances provided for in their respective existing employment contracts. See “*Termination and Change of Control Benefits*” in Appendix “B” to this Circular.

Director Compensation

No determination has been made regarding the compensation of any directors of the Resulting Issuer who are not also NEOs. Any such compensation will be determined once the Resulting Issuer Board is formally constituted, at which time consideration will be given to potentially compensating the directors under the following arrangements:

- (a) standard arrangements for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangements, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors; or
- (c) arrangements for the compensation of directors for services as consultants or experts.

Incentive Plan Awards – Non-Employee Directors

As set out in the Amalgamation Agreement, in connection with the Completion of the Highwood QT, all Highwood Options held by the Resulting Issuer’s non-employee directors which have not been exercised shall be surrendered for cancellation in exchange for Resulting Issuer Options, having the same terms and conditions as the cancelled Highwood Options, including the term to expiry, vesting conditions and manner of exercising, as adjusted in respect of the Exchange Ratio. See “*Options to Purchase Securities*”.

Upon Completion of the Highwood QT, it is expected that Resulting Issuer Options will be granted by the Resulting Issuer to directors who are not also NEOs; however, the terms and intended recipients have yet to be determined.

Indebtedness of Directors and Officers

None of the current directors or officers (or persons who have been directors and officers during the most recent completed financial year) of PBC or Highwood and none of the proposed directors or officers of the Resulting Issuer following Completion of the Highwood QT, or any associates any of such persons, are indebted to PBC, Highwood or any of their respective subsidiaries, or are indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the PBC, Highwood or any of their respective subsidiaries. At no point during the most recently completed financial year of PBC or Highwood were any directors or officers (or their associates) indebted to PBC or Highwood.

Investor Relations Arrangements

There are currently no investor relations arrangements in place for the Resulting Issuer, and it is currently exploring arrangements upon Completion of the Highwood QT.

Options to Purchase Securities

Outstanding Options of the Resulting Issuer

As described in the Circular, all outstanding PBC Options are expected to be exchanged for equivalent securities in the Resulting Issuer. Pursuant to the Amalgamation Agreement, subject to the approval of the PBC Consolidation at the Meeting, PBC shall cause each outstanding PBC Option to be amended, modified or otherwise adjusted or replaced in accordance with its terms to give effect to the PBC Consolidation reasonably promptly following the Meeting and in any event prior to the Completion of the Highwood QT. See “*Description of the Transaction – Amalgamation*”.

As such, after giving effect to the Highwood QT, the following table sets forth details regarding the outstanding options of the Resulting Issuer issued in exchange for the PBC Options combined with the contemplated Highwood Options (collectively, the “**New Options**”). Amounts set forth below are as at the date of the Circular after giving effect to the Highwood QT. The following table also sets forth details regarding the Resulting Issuer RSUs and PSUs expected to be granted on close of the Highwood QT.

Resulting Issuer	No. of New Options	Grant Date	Expiry Date	Exercise Price per RI Share
<i>All proposed officers of the Resulting Issuer</i>				
Greg Macdonald	22,000	Close of Highwood QT	5 years from grant	\$9.00
Graydon Glans	22,000	Close of Highwood QT	5 years from grant	\$9.00
Kelly McDonald	22,000	Close of Highwood QT	5 years from grant	\$9.00
Total for proposed officers of the Resulting Issuer:	66,000			
<i>All proposed directors of the Resulting Issuer (other than directors who are also officers of the Resulting Issuer)</i>				
Stephen J. Holyoake	2,000	Close of Highwood QT	5 years from grant	\$9.00
Stephen J. Holyoake	3,774	April 3, 2018	1 year from close	\$5.30
Arif Shivji	2,000	Close of Highwood QT	5 years from grant	\$9.00
Arif Shivji	9,434	April 3, 2018	1 year from close	\$5.30
Trevor Wong-Chor	2,000	Close of Highwood QT	5 years from grant	\$9.00
Trevor Wong-Chor	1,887	April 3, 2018	1 year from close	\$5.30
Total for proposed directors of the Resulting Issuer:	21,095			
<i>All officers of subsidiaries of the Resulting Issuer (other than officers of the Resulting Issuer)</i>	Nil	N/A	N/A	N/A
<i>All directors of subsidiaries of the Resulting Issuer (other than officers of the Resulting Issuer)</i>	Nil	N/A	N/A	N/A

Resulting Issuer	No. of New Options	Grant Date	Expiry Date	Exercise Price per RI Share
<i>All other employees, current and former, of the Resulting Issuer</i>	17,600	Close of Highwood QT	5 years from grant	\$9.00
<i>Former Directors of the Resulting Issuer</i>	3,774	April 3, 2018	1 year from close	\$5.30
TOTAL	108,469			

The following table also sets forth details regarding the Resulting Issuer RSUs and PSUs expected to be granted on Completion of the Highwood QT.

Resulting Issuer	No. of RSUs	No. of PSUs	Grant Date	Expiry Date
<i>All proposed officers of the Resulting Issuer</i>				
Greg Macdonald	22,000	10,000	Close of Highwood QT	5 years from close
Graydon Glans	22,000	10,000	Close of Highwood QT	5 years from close
Kelly McDonald	22,000	10,000	Close of Highwood QT	5 years from close
Total for proposed officers of the Resulting Issuer:	66,000	30,000		
<i>All proposed directors of the Resulting Issuer (other than directors who are also officers of the Resulting Issuer)</i>				
Stephen J. Holyoake	2,000	-	Close of Highwood QT	5 years from close
Arif Shivji	2,000	-	Close of Highwood QT	5 years from close
Trevor Wong-Chor	2,000	-	Close of Highwood QT	5 years from close
Total for proposed directors of the Resulting Issuer:	6,000	-		
<i>All other employees, current and former, of the Resulting Issuer</i>	17,600	19,000	Close of Highwood QT	5 years from close
TOTAL	89,600	49,000		

Following Completion of the Highwood QT, it is expected that there will be 18,868 Resulting Issuer Options outstanding, each entitling the holder thereof to purchase one RI Share at an exercise price as per above

Resulting Issuer Option Plan

The Resulting Issuer will adopt the existing PBC Option Plan with the amendments described under the heading “Particulars of Matters to be Acted Upon at the Meeting – the PBC Alternate Option Plan Resolution” in the Circular in

accordance with the policies of the TSXV (the “**Resulting Issuer Option Plan**”), subject to the approval of the PBC Alternative Option Plan Resolution by the PBC Shareholders at the Meeting. The Resulting Issuer Option Plan will provide that the Resulting Issuer Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Resulting Issuer or its subsidiaries, non-transferable Resulting Issuer Options, provided that the number of RI Shares reserved for issuance under the Resulting Issuer Option Plan shall not exceed 10% of the issued and outstanding RI Shares. In connection with the foregoing, the number of RI Shares reserved for issuance to any one person in any 12 month period shall not exceed 5% of the issued and outstanding RI Shares determined at the date of grant, or 2% of the issued and outstanding RI Shares determined at the date of grant if such person is a Consultant (as such term is defined by the policies of the TSXV). Additionally, the aggregate number of RI Shares granted to all employees or persons conducting Investor Relations Activities (as such term is defined by the policies of the TSXV) shall not exceed 2% of the issued and outstanding RI Shares in any 12 month period, calculated at the date of grant. Resulting Issuer Options will be exercisable for a period of up to five years.

The RI Board shall determine the price per Resulting Issuer Share and the number of Resulting Issuer Shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Resulting Issuer Options, subject to the rules of TSXV. If the optionee ceases to be a director, officer, employee or consultant of the Resulting Issuer or its subsidiaries for any reason other than death, such optionee's Resulting Issuer Options must also be exercised within the earlier of: (i) 90 days from the date of termination of employment or cessation of position with the Resulting Issuer; and (ii) prior to the expiry date of the Resulting Issuer Options. In the event of the death of an optionee, the Resulting Issuer Options previously granted to such optionee shall be exercisable on the earlier of: (i) within one year following the date of the death of the optionee; and (ii) prior to the expiry date of the Resulting Issuer Options. The price per Resulting Issuer Share set by the Resulting Issuer Board shall not be less than the last closing price of the Resulting Issuer Shares on the TSXV prior to the date on which such Resulting Issuer Option is granted, less the applicable discount permitted (if any) by the TSXV.

Resulting Issuer RSU Plan

The Resulting Issuer will have an RSU plan administered by the Board (or a committee thereof) which has the power, subject to the limits imposed by the RSU Plan, to: (i) award RSUs; (ii) determine the terms under which RSUs are granted; (iii) interpret the RSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the RSU Plan; and (iv) make all other determinations and take all other actions in connection with the implementation and administration of the RSU Plan. In awarding RSUs pursuant to the RSU Plan, the Board takes into consideration, among other factors, whether previous RSUs have been awarded to the individual.

RSUs may be granted to directors, officers, employees and consultants under the RSU Plan. The RSU Plan is a fixed plan which reserves for issuance a maximum of 10% of the issued and outstanding Resulting Issuer Shares. In connection with the foregoing, the number of Resulting Issuer Shares reserved for issuance to any one person in any 12 month period shall not exceed 5% of the issued and outstanding Resulting Issuer Shares determined at the date of grant. RI RSUs will be exercisable for a period of up to five years.

Resulting Issuer PSU Plan

The Resulting Issuer will have a PSU plan administered by the Board (or a committee thereof) which has the power, subject to the limits imposed by the PSU Plan, to: (i) award PSUs; (ii) determine the terms under which PSUs are granted; (iii) interpret the PSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the PSU Plan; and (iv) make all other determinations and take all other actions in connection with the implementation and administration of the PSU Plan. In awarding PSUs pursuant to the PSU Plan, the Board takes into consideration, among other factors, whether previous PSUs have been awarded to the individual. The PSE plan provides for the grant of PSUs based on the most recent year's corporate performance.

Payments under the PSU plan will be in the form of cash amounts which are used to make purchases in the market for Common Shares. The awards, if any, will not have a dilutive effect on Shareholders and will align the interests of the executive officers and employees with all Shareholders. As a result, the PSU Plan provides a link to short-term performance, alignment to long-term Shareholder interests and enables retention of employees and officers without the dilutive aspects of issuing Resulting Issuer Shares from treasury as contemplated by the RSU Plan or Option Plan. It is anticipated that the size of the PSU awards to be granted will vary depending upon the Company's performance in the

most recent year as measured by the performance scorecard that is anticipated to be established to determine the short-term incentive program payout. For executive officers, PSU awards are anticipated to be based on corporate performance and that at or below the minimum level of corporate performance, no PSUs will be awarded. Future realized values at the time of vesting will reflect stock price, performance and reinvested dividends over the vesting period.

Escrowed Securities

In accordance with National Policy 46-201 - *Escrow for Initial Public Offerings* (“NP 46-201”) and TSXV Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* (“TSXV Policy 5.4”), all securities of an issuer owned or controlled by its Principals (as such term is defined by NP 46-201) will be subject to escrow unless the securities held by a Principal or issuable to such Principal upon conversion of convertible securities held by the Principal collectively represent less than 1% of the total issued and outstanding Resulting Issuer Shares after giving effect to the Highwood QT.

The Resulting Issuer will be classified as an “emerging issuer” under NP 46-201. An “emerging issuer” is an issuer that after its initial public offering is not an “established issuer” (being that it (i) has securities listed on the TSX and is not classified by the TSX as an exempt issuer, (ii) has securities listed on the TSX Venture and is a TSX Venture Tier 2 issuer or (iii) has securities listed on Aequitas NEO Exchange Inc.) and is not an exempt issuer. Based on the Resulting Issuer being an “emerging issuer”, unless otherwise noted, the escrowed securities held by the Principals will be subject to an 36 month “tier 2 value escrow”. Ten percent of each Principal’s escrowed securities will be exempt from escrow effective on the receipt of notice confirming the listing of the Resulting Issuer Shares on the TSXV. Thereafter, the balance of the escrowed securities will be released over 36 months in six month intervals in tranches of 15 percent from the date of the listing of the Resulting Issuer Shares on the TSXV. The escrow agent for the escrowed Resulting Issuer Shares is Odyssey.

To the knowledge of Highwood, as of the date of this Circular, the following are the Highwood securityholders and the number and percentage of each class of securities of the Resulting Issuer to be held by such Highwood securityholder that are anticipated to be held in escrow after giving effect to the Highwood QT.

Name and Municipality of Residence of Securityholder	Designation of class	After Giving Effect to the Highwood QT		
		Number of securities to be held in escrow	Percentage of class (undiluted) ⁽³⁾	Percentage of class (undiluted) ⁽⁴⁾
1080766 Alberta Ltd., Calgary, Alberta ⁽¹⁾	Resulting Issuer Shares	4,045,862	68.19%	68.09%
Greg Macdonald, Okotoks, Alberta	Resulting Issuer Shares	311,438	5.25%	5.24%
	New Options	22,000	Less than 1%	Less than 1%
Graydon Glans, Calgary, Alberta	Resulting Issuer Shares	19,877	Less than 1%	Less than 1%
	New Options	22,000	Less than 1%	Less than 1%
Kelly McDonald, Calgary, Alberta	Resulting Issuer Shares	19,000	Less than 1%	Less than 1%
	New Options	22,000	Less than 1%	Less than 1%
Stephen J. Holyoake ⁽²⁾ , Calgary, Alberta	Resulting Issuer Shares	149,587	2.52%	2.52%
	New Options	2,000	Less than 1%	Less than 1%
	New Replacement	3,774	Less than 1%	Less than 1%

Name and Municipality of Residence of Securityholder	Designation of class	After Giving Effect to the Highwood QT		
		Number of securities to be held in escrow	Percentage of class (undiluted) ⁽³⁾	Percentage of class (undiluted) ⁽⁴⁾
	Options			
Arif Shivji, Victoria, BC	Resulting Issuer Shares	60,377	1.02%	1.02%
	New Options	2,000	Less than 1%	Less than 1%
	Replacement Options	9,434	Less than 1%	Less than 1%
Trevor Wong-Chor, Calgary, Alberta	Resulting Issuer Shares	3,774	Less than 1%	Less than 1%
	New Options	2,000	Less than 1%	Less than 1%
	Replacement Options	1,887	Less than 1%	Less than 1%
Employees and Consultants	Resulting Issuer Shares	25,030	Less than 1%	Less than 1%
Notes:				
<p>(1) 1080766 Alberta Ltd. is owned and controlled 100% by Joel A. MacLeod.</p> <p>(2) Resulting Issuer Shares are held in Becam Consulting Ltd. while new options are held personally by Stephen J. Holyoake. Mr. Holyoake has control and full ownership of Becam Consulting Ltd.</p> <p>(3) Assumes the Completion of the Highwood QT.</p> <p>(4) Assumes close of Highwood QT and maximum issue of 8,800 shares as per Highwood Private Placement (4,400 to 8,800 shares).</p>				

The escrowed securities may not be transferred or otherwise dealt with during the term of the escrow agreement unless the transfers or dealings with the escrow are: transfers to continuing or, upon their appointment, incoming directors and senior officers of the Resulting Issuer or of a material operating subsidiary, with the approval of the board of directors; transfers to other Principals; transfers to a registered retirement savings plan or similar trust plan provided that the only beneficiaries are the transferor or the transferor's spouse, children or parents; transfers upon bankruptcy to the trustee in bankruptcy; and pledges to a financial institution as collateral for a bona fide loan, provided that upon a realization the escrowed securities remain subject to escrow.

Tenders of escrowed securities to a take-over bid are permitted provided that, if the tenderer is a principal (as such term is defined in NP 46-201) of the successor company upon completion of the take-over bid, securities received in exchange for tendered escrowed securities are submitted in escrow on the basis of the successor company's escrow classification.

The following table sets out, as of the date hereof and to the knowledge of PBC, the name and municipality of resident of the PBC securityholders whose Resulting Issuer Shares will be escrowed (the “CPC Escrowed Shares”). The CPC Escrowed Shares are subject to an escrow agreement imposed by the TSXV at the time of completion of PBC’s initial public offering.

Name and Municipality of Residence of Securityholder	Before Giving Effect to the Highwood QT		After Giving Effect to the Highwood QT and Private Placement ⁽⁴⁾	
	Number of PBC Shares Held in Escrow	Percentage of Class (%)	Number of securities to be held in escrow	Percentage of class (undiluted)
Trevor Wong-Chor, Calgary, Alberta	200,000	2%	3,774	0.06%
Arif Shivji, Victoria, BC	3,200,000	32%	60,377	1.02%
Jarvis Williams, Calgary, Alberta ⁽²⁾	800,000	8%	15,094	0.25%
Stephen J. Holyoake, Calgary, Alberta ⁽³⁾	800,000	8%	15,094	0.25%
Darrell Bishop, Calgary, Alberta ⁽¹⁾	500,000	5%	9,434	0.16%
Victor Rodberg, Calgary, Alberta ⁽¹⁾	500,000	5%	9,434	0.16%
Total:	6,000,000	60%	113,207	1.90%

Notes:

- (1) These shares are registered in the name of Haywood Securities Inc. on behalf of the holders.
- (2) Jarvis Williams holds these shares in his holding company, 1004993 Alberta Ltd.
- (3) Stephen J. Holyoake holds these shares in his holding company, Becam Consulting Ltd.
- (4) Assumes close of Highwood QT and maximum issue of 8,800 shares as per Highwood Private Placement (4,400 to 8,800 shares).

The TSXV also has discretion pursuant to TSXV Policy 5.4 to impose escrow or hold period requirements on issuers in connection with transactions, where it deems appropriate.

Corporate Governance

The Resulting Issuer Board will have an audit committee that is expected to be comprised of Stephen J. Holyoake, Trevor Wong-Chor and Arif Shivji.

It is not currently anticipated that the Resulting Issuer Board will initially form any additional committees, but it is expected that the Resulting Issuer Board will adopt a Board Mandate, Corporate Governance Guidelines and other corporate governance policies, practices and procedures required by applicable law or as the Resulting Issuer Board determines are appropriate for a company of the size and stage of development as the Resulting Issuer.

Auditor, Transfer Agent and Registrar

Auditor

It is expected that RSM Alberta LLP, who are currently the auditors for Highwood and the auditors for PBC, will be the auditors of the Resulting Issuer, located at 1400, 777 8th Avenue SW, Calgary, Alberta T2P 3R5.

Transfer Agent and Registrar

It is expected that Odyssey Trust Company, who is currently PBC's registrar and transfer agent, will serve as the Resulting Issuer's registrar and transfer agent. It is expected that transfers of the securities of the Resulting Issuer may be recorded at registers maintained by Odyssey at its offices at 350-300 5th Avenue S.W., Calgary, AB T2P 3C4.

APPENDIX D GLOSSARY

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Circular, including the Appendices hereto. These defined words and terms are not always used in the Circular and may not conform to the defined terms used in the Appendices and exhibits to this Circular.

“**ABCA**” means the *Business Corporations Act (Alberta)*, as amended.

“**Affiliate**” means a Company that is affiliated with another Company as described below:

A Company is an “Affiliate” of another Company if:

- (a) each of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.
- (c) A Company is “controlled” by a Person if:
 - (d) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
 - (e) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (f) a Company controlled by that Person, or
- (g) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“**Agreement**” means the amalgamation agreement between PBC and Highwood, a copy of which is attached as Appendix “K” to this Circular, pursuant to which PBC and Highwood agree to amalgamate and continue as one corporation, being the Resulting Issuer.

“**Amalgamation**” means the amalgamation of PBC and Highwood pursuant to the ABCA provided for herein to form Resulting Issuer.

“**Amalgamation Resolution**” means the resolution in respect of the Agreement to be considered and, if deemed advisable, approved by Minority Shareholder Approval of PBC Shareholders at the Meeting and not less than two-thirds of the votes cast by BPC Shareholders present or represented by proxy and entitled to vote at the Meeting (the full text of which is set out in Appendix “F”, in the case of the resolution to be put before the Shareholders).

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him or her to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity;

- (d) in the case of a Person that is an individual, a relative of that Person, including but not limited to that Person's spouse or child, or any relative of the Person or of his or her spouse who has the same residence as that Person; and
- (d) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSX Venture Exchange Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

“**Beneficial PBC Shareholder**” has the meaning ascribed thereto under the heading “*General Information Concerning the Meeting and Voting – Beneficial PBC Shareholders*”.

“**Board**” means the board of directors of PBC.

“**Broadridge**” means Broadridge Financial Solutions, Inc.

“**Business Day**” means a day, other than a Saturday or Sunday, on which the principal commercial banks located in the City of Calgary, Alberta are open for business.

“**Capital Pool Company**” or “**CPC**” means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with Policy 2.4; and
- (b) in regard to which the Final Exchange Bulletin has not yet been issued.

“**Circular**” means this management information circular of PBC, together with all appendices and schedules attached hereto and including the summary hereof.

“**Closing**” means the closing of the Highwood QT.

“**Closing Date**” means the date on which the Closing occurs.

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Completion of the Highwood QT**” means the date the Final Exchange Bulletin is issued by the Exchange.

“**Control Person**” means any Person or Company that holds or is one of a combination of Persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“**Dissent Rights**” means any rights of dissent in respect of the Amalgamation provided for by section 191 of the ABCA.

“**Dissenting PBC Shareholder**” means a Registered PBC Shareholder who validly exercises Dissent Rights provided to them under the ABCA whose Dissent Rights remain valid immediately before the Effective Time;

“**Effective Time**” means 12:01 a.m. (Calgary time) on the Closing Date;

“**Exchange**” or “**TSXV**” means the TSX Venture Exchange Inc.

“**Exchange Ratio**” means one (1) post-PBC Consolidation PBC Shares to each one (1) Highwood Share held by a Highwood Shareholder.

“**Final Exchange Bulletin**” means the bulletin which will be issued by the Exchange following the completion of a Qualifying Transaction and the submission to the Exchange of all documentation required by it (to its satisfaction) and which evidences the final Exchange acceptance of a Qualifying Transaction.

“**GLJ**” has the meaning ascribed thereto under the heading “*Interests of Experts*”.

“**Governmental Entity**” means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals, or dispute settlement panels or other law, rule or regulation-making organizations or entities:

- (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state, or other geographic or political subdivision of any of them; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“**Highwood**” means Highwood Oil Company Ltd., a corporation incorporated under the ABCA.

“**Highwood Amalgamation Resolution**” means the resolution in respect of the Agreement to be considered and, if deemed advisable, approved by the Highwood Shareholders.

“**Highwood Private Placement**” means the private placement of Highwood Shares to be completed prior to Closing.

“**Highwood QT**” means the amalgamation of PBC and Highwood pursuant to the Agreement as more particularly described in this Circular.

“**Highwood Shares**” or “**Common Shares**” where the context requires means the common shares in the capital of Highwood.

“**Highwood Shareholders**” means, at any time, the holders of Highwood Shares.

“**IFRS**” means the generally accepted accounting principles set out in the CPA Canada Handbook – Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards.

“**Initial Listing Requirements**” has the meaning specified in Policy 2.1.

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of PBC that is an Insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“**Interested Party**” has the meaning ascribed to such term in MI 61-101.

“**IPO**” means the initial public offering of PBC Shares under a prospectus dated April 3, 2018, pursuant to which 4,000,000 Shares were sold at a price of \$0.10 per PBC Share for gross proceeds of \$400,000.

“**Laws**” means applicable laws (including common law and civil law), statutes, by-laws, rules, regulations, Orders, ordinances, protocols, codes, guidelines, treaties, policies, notices, directions, decrees, judgments, awards or requirements, in each case of any Governmental Authority, including the ABCA and applicable Canadian securities Laws.

“**Meeting**” means the special meeting of the PBC Shareholders, and any adjournments or postponements thereof, to be held to approve, among other things, the PBC Resolutions.

“**Meeting Materials**” has the meaning ascribed thereto under “*General Information Regarding the Meeting – Beneficial PBC Shareholders*”.

“**Member**” has the meaning ascribed to such term in Exchange Policy 1.1 – Interpretation.

“**Minority Shareholder Approval**” means the approval of the Qualifying Transaction by the majority of the votes cast by minority shareholders as determined by Part 8 of MI 61-101.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NI 54-101**” means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

“**Named Executive Officers**” or “**NEOs**” has the meaning ascribed thereto under the heading “*Appendix A - Information Concerning Predator Blockchain Capital Corp. Executive Compensation*”.

“**Non-Arm’s Length Qualifying Transaction**” has the meaning ascribed to such term in Policy 2.4.

“**Non-Registered Shareholders**” has the meaning ascribed thereto under “*Proxy Related Information – Non-Registered Shareholders*”.

“**Notice of Meeting**” means the notice of the Meeting, which accompanies this Circular.

“**Odyssey**” means Odyssey Trust Company, the registrar and transfer agent for the PBC Shares and the Highwood Shares.

“**Outside Directors**” has the meaning ascribed thereto under “*Appendix A - Information Concerning Predator Blockchain Capital Corp. - Director Compensation*”.

“**Party**” means, as the context requires, either Highwood or PBC, and “**Parties**” means two or more of them, as applicable.

“**Person**” means a Company or individual.

“**PBC**” means Predator Blockchain Capital Corp., a corporation incorporated under the ABCA.

“**PBC Agent Options**” means the outstanding PBC Share purchase options issued to agents, each such option being exercisable into one PBC Share.

“**PBC Alternate Option Plan Resolution**” means an ordinary resolution of the PBC Shareholders approving the Resulting Issuer Stock Option Plan, substantially in the form set out in Appendix “H” in this Circular.

“**PBC Alternate RSU Plan Resolution**” means an ordinary resolution of the PBC Shareholders approving the Resulting Issuer RSU Plan, substantially in the form set out in Appendix “I” in this Circular.

“**PBC Consolidation**” means the consolidation of the outstanding PBC Shares on the basis of 53 pre-PBC Consolidation PBC Shares for each one post-PBC Consolidation PBC Share, subject to adjustment as agreed to between PBC and Highwood.

“**PBC Consolidation Resolution**” means the special resolution of the PBC Shareholders authorizing the PBC Consolidation, substantially in the form set out in Appendix “G” to this Circular.

“**PBC Notice of Meeting**” means the notice of the Meeting sent to PBC Shareholders together with this Circular.

“**PBC Options**” means the outstanding options issued under the PBC Option Plan to acquire PBC Shares;

“**PBC Option Plan**” means the current stock option plan of PBC.

“**PBC Proxy**” means the form of proxy sent to PBC Shareholders for use in connection with the Meeting.

“**PBC Resolutions**” means collectively, the Amalgamation Resolution, the PBC Consolidation Resolution, the PBC Alternate Option Plan Resolution and the PBC Alternate RSU Plan Resolution.

“**PBC Shareholders**” means, at any time, the holders of PBC Shares.

“**PBC Shares**” means the common shares in the capital of PBC, prior to giving effect to the PBC Consolidation.

“**Policy 2.1**” means the Exchange’s Policy 2.1 entitled “Initial Listing Requirements”.

“**Policy 2.2**” means the Exchange’s Policy 2.4 entitled “Sponsorship and Sponsorship Requirements”.

“**Policy 2.4**” means the Exchange’s Policy 2.4 entitled “Capital Pool Companies”.

“**Promoter**” means: (a) a Person or company who, acting alone or in conjunction with one or more other Persons, Companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer; or (b) a Person or Company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a Person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a “Promoter” if such Person or Company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

“**Qualifying Transaction**” means a transaction whereby a CPC acquires “Significant Assets” (as defined in Policy 2.4), other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

“**Record Date**” means December 18, 2018.

“**Related Party**” and “**Related Party Transaction**” have the respective meanings ascribed to such terms in MI 61-101.

“**Reserve Report**” has the meaning ascribed thereto under “*Interests of Experts*”.

“**Resulting Issuer**” means the continuing corporation to be constituted upon completion of the Highwood QT, to be named “Highwood Oil Company Ltd.”, or such other name as Highwood may determine which is synonymous with the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin and in this Circular means PBC following Completion of the Highwood QT and issuance of the Final Exchange Bulletin.

“**Resulting Issuer Agent Options**” means the options to purchase Resulting Issuer Shares to be issued to holders of PBC Agent Options which are outstanding prior to the Closing, which PBC Agent Options shall be cancelled and its holder shall receive in exchange therefor one Resulting Issuer Agent Option, having the same terms and conditions, including the term to expiry, conditions to and manner of exercise, as the PBC Agent Option for which it was exchanged, after having given effect to the Highwood QT (including the PBC Consolidation and the Exchange Ratio).

“**Resulting Issuer Board**” means the board of directors of the Resulting Issuer as the same is constituted from time to time.

“**Resulting Issuer Options**” means the options to be issued under the Resulting Issuer Stock Option Plan to acquire post-PBC Consolidation PBC Shares.

“Resulting Issuer Stock Option Plan” means the PBC Option Plan, as amended, which shall be adopted by the Resulting Issuer following Completion of the Highwood QT.

“Resulting Issuer RSUs” means the restricted share units to be issued under the Resulting Issuer RSU Plan to acquire post-PBC Consolidation PBC Shares.

“Resulting Issuer RSU Plan” means the restricted share unit plan of PBC, as amended, which shall be adopted by the Resulting Issuer following completion of the Highwood QT.

“Resulting Issuer Shares” or **“RI Shares”** means common shares in the capital of the Resulting Issuer.

“Significant Assets” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, result in a CPC meeting the Initial Listing Requirements of the Exchange, and in this Circular means the Highwood Shares acquired pursuant to the Highwood QT.

“Target Company” means a Company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction, and in this Circular means Highwood.

“Tax” and **“Taxes”** means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, license taxes, withholding taxes, payroll taxes, employment taxes, Canada Pension Plan contributions, excise, severance, social security, workers’ compensation, employment insurance or compensation taxes or premium, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imposts, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing.

“VIF” means a voting instruction form.

APPENDIX E
RESULTING ISSUER PRO FORMA FINANCIAL STATEMENTS

See attached.

Predator Blockchain Capital Corp.
(A Capital Pool Corporation)

Pro-Forma Consolidated Financial Statements

For the Period from Date of Incorporation (January 25, 2018)
to September 30, 2018
(In Canadian Dollars)
(Unaudited)

Predator Blockchain Capital Corp.
Pro-Forma Consolidated Statement of Financial Position
September 30, 2018

(amounts in Canadian dollars)

(unaudited)

	Predator Blockchain Capital Corp.	Highwood Oil Company Ltd.	Pro-Forma Adjustments	Pro-Forma Consolidated Balance Sheet
Assets				
			<i>Note</i>	
Cash & cash equivalents	\$ 585,129	\$ 365,661	2(c) \$(120,000) 2(d) 79,200 2(f) \$(203,150) 2(g) \$(500,000)	\$ 206,840
Accounts receivable	3,375	31,226,735	-	31,230,110
Prepaid expenses and deposits	-	1,016,497	-	1,016,497
Total current assets	588,504	32,608,893	(743,950)	32,453,447
Exploration and evaluation assets	-	9,364,197	-	9,364,197
Property, plant, and equipment	-	79,938,805	-	79,938,805
Other assets	-	396,300	-	396,300
Total Assets	\$ 588,504	\$ 122,308,195	\$ (743,950)	\$ 122,152,749
Liabilities				
Accounts payable & accrued liabilities	\$ -	\$ 23,448,347	\$ -	\$ 23,448,347
Bank debt	-	32,000,000	-	32,000,000
Commodity contracts	-	2,365,000	-	2,365,000
Total current liabilities	-	57,813,347	-	57,813,347
Accounts payable & accrued liabilities	-	1,482,453	-	1,482,453
Commodity contracts	-	117,000	-	117,000
Decommissioning liabilities	-	29,542,999	-	29,542,999
Deferred income tax liability	-	4,913,000	-	4,913,000
Total Liabilities	-	93,868,799	-	93,868,799
Shareholders' Equity				
Share capital	593,233	11,500,000	2(f) 1,527,650 2(g) (207,631) 3 (593,233) 3 1,698,111 2(d) 79,200	14,597,330
Contributed surplus	40,000	1,056,125	2(e) 150,000 2(f) (1,056,125) 3 (40,000)	150,000

Retained Earnings	(44,729)	15,732,259	2(c) (120,000) 2(e) (150,000) 2(f) (674,675) 2(g) (292,369) 3 44,729 3 (1,109,607)	13,385,608
Non-controlling interest	-	151,012	-	151,012
	588,504	28,439,396	(743,950)	28,283,950
Total Liabilities & Equity	\$ 588,504	\$ 122,308,195	\$ (743,950)	\$ 122,152,749

See the Notes to the Pro-Forma Consolidated Financial Statements

Predator Blockchain Capital Corp.

Pro-Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

For the period ended September 30, 2018

(amounts in Canadian dollars)

(unaudited)

	Predator Blockchain Capital Corp.	Highwood Oil Company Ltd.	Pro-Forma Adjustments	Pro-Forma Consolidated Statement of Loss
			<i>Note</i>	
Revenue				
Production revenue	\$ -	\$ 21,826,363	\$ -	\$ 21,826,363
Royalties	-	(3,598,546)	-	(3,598,546)
Transportation pipeline revenues	-	2,640,085	-	2,640,085
Processing and road use revenues	-	1,329,348	-	1,329,348
Realized loss on commodity contracts	-	(1,461,337)	-	(1,461,337)
Unrealized loss on commodity contracts	-	(1,859,000)	-	(1,859,000)
Total revenue, net of royalties	-	18,876,913	-	18,876,913
Expenses				
Operating and transportation	-	14,963,381	-	14,963,381
General and administrative	4,729	1,909,603	-	1,914,332
Bad debt expense	-	56,916	-	56,916
Depletion and depreciation	-	4,259,000	-	4,259,000
Stock-based compensation	40,000	229,000	-	269,000
Total expenses	44,729	21,417,900	-	21,462,629
Operating loss	(44,729)	(2,540,987)	-	(2,585,716)
Other income (expenses)				
Gain on disposal of assets	-	6,366,965	-	6,366,965
Transaction costs	-	(18,647)	-	(18,647)
Listing expense	-	-	2(c) (120,000) 3 (1,259,607)	(1,379,607)
Finance income and expenses, net	-	(1,814,456)	-	(1,814,456)
Total other income (expenses)	-	4,533,862	(1,379,607)	3,154,255
Income (loss) before taxes	(44,729)	1,992,875	(1,379,607)	568,539
Deferred tax expense	-	646,000	-	646,000
Total tax expense	-	646,000	-	646,000
Income (loss) and comprehensive income (loss)	\$ (44,729)	\$ 1,346,875	\$ (1,379,607)	\$ (77,461)

See the Notes to the Pro-Forma Consolidated Financial Statements

Predator Blockchain Capital Corp.
Notes to the Pro-Forma Consolidated Financial Statements
For the period ended September 30, 2018

(amounts in Canadian dollars)

(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited proforma consolidated statement of financial position and statement of income (loss) and comprehensive income (loss) (“Pro-Forma FS”) of Predator Blockchain Capital Corp. (“Predator Blockchain”) have been prepared by management to reflect the amalgamation of Predator Blockchain with Highwood Oil Company Ltd. (“Highwood Oil”) after giving effect to the transactions as described in notes 2 and 3.

Predator Blockchain is a Capital Pool Company listed on the TSX Venture Exchange (the “TSXV”) under the Capital Pooling Company (“CPC”) program. Highwood Oil is a private corporation incorporated under the Business Corporations Act (Alberta). The Pro-Forma FS are derived from the condensed interim financial statements of Predator Blockchain and the condensed interim consolidated financial statements of Highwood Oil as at September 30, 2018. Management believes the Pro-Forma FS include all adjustments necessary for fair presentation of the proposed transaction between the entities as described below. The accounting policies used in preparing the Pro-Forma FS are those set out in the Highwood Oil December 31, 2017 audited financial statements and September 30, 2018 unaudited financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The Pro-Forma FS should be read in conjunction with the condensed interim financial statements of Predator Blockchain and the condensed interim consolidated financial statements of Highwood Oil as at September 30, 2018, the “Amalgamation Agreement” dated December 20, 2018 between Predator Blockchain and Highwood Oil, and the Management Information Circular dated December 20, 2018. These Pro-Forma FS are not necessarily indicative of the financial position that would have resulted if the transaction had actually occurred on September 30, 2018.

To facilitate the amalgamation, Predator Blockchain will execute a share consolidation on its common shares. The 10,000,000 Common Shares currently issued and outstanding (“Predator Blockchain Pre-Shares”) will be reduced to approximately 188,679 Common Shares on a Post-Consolidation basis (“Predator Blockchain Post-Shares”).

Predator Blockchain and Highwood Oil will amalgamate with each holder of Predator Blockchain Post-Shares and Highwood Oil shares receiving shares of the amalgamated entity on a 1:1 basis.

Following completion of the amalgamation, Predator Blockchain will change its name to Highwood Oil Company Ltd. and be the public entity listed on the TSXV under the symbol [HOCL].

The Pro-Forma Consolidated Statement of Financial Position has been prepared as if the transactions described in notes 2 and 3 occurred as at September 30, 2018 and the Pro-Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) has been prepared as if the transactions described in notes 2 and 3 occurred January 25, 2018, the date of incorporation of Predator Blockchain.

Completion of the transaction is subject to a number of conditions, including but not limited to, shareholder approval and TSXV acceptance. There can be no assurance that the transaction will be completed as proposed or at all.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The Pro-Forma FS of Predator Blockchain has been prepared to reflect the following assumptions and adjustments:

- a) The issued and outstanding shares of Predator Blockchain will be consolidated at the ratio of 53.0 Predator Blockchain Pre-Shares to 1.0 Predator Blockchain Post-Shares. As a result, 188,679 Predator Blockchain Post-Shares will be outstanding.
- b) Predator Blockchain and Highwood Oil will amalgamate with holders of Predator Blockchain Post-Shares and Highwood Oil shares each receiving one share of the amalgamated company for each one share held.
- c) Predator Blockchain will incur costs related to the amalgamation (including audit, legal, financial advisory and regulatory costs) of approximately \$120,000.
- d) In conjunction with the transaction, Highwood Oil will complete a private placement to issue up to 8,800 common shares of Highwood Oil at \$9.00 per common share for proceeds of \$79,200, immediately before the amalgamation.
- e) The outstanding stock options and agent options in Predator Blockchain will continue into Highwood Oil and be revalued based on their estimated value using the Black-Scholes option pricing model with the following weighted average assumptions:

	Options	Agent Options
Number of Units	18,868	7,547
Stock price on grant date	\$9.00	\$9.00
Exercise price	\$5.30	\$5.30
Expected life (years)	4.5	1.5
Risk-free interest rate	2.12%	1.88%
Expected volatility	70%	70%
Option/Agent Option fair value (per instrument)	\$6.10	\$4.71
Estimated forfeiture rate	0%	0%
Expected dividend yield	0%	0%

Contributed surplus and a listing expense of \$150,000 will be recognized with respect to the outstanding stock options and agent options.

- f) The issuance of 305,350 shares along with the payment of \$203,150 by Highwood Oil subsequent to September 30, 2018 to retire outstanding stock options.
- g) The repurchase of 100,000 shares for \$500,000 by Highwood Oil subsequent to September 30, 2018.

3. ACQUISITION

The transaction will be treated as a reverse takeover (“RTO”) for accounting purposes based on the terms within the Amalgamation Agreement. In accordance with the guidelines in IFRS 3, Predator Blockchain does not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination but a capital transaction in substance with Highwood Oil being identified as the acquirer. The comparative figures that will be presented in the financial statements after the RTO will be those of Highwood Oil except with regard to share capital, which will be that of Predator Blockchain.

Based on the Statement of Financial Position of Predator Blockchain as of September 30, 2018, the

estimated fair market value of the net assets that will be combined with Highwood Oil are as follows:

Net Assets of Predator Blockchain

Cash	\$ 585,129
Accounts receivable	3,375
Net assets - Acquired by Highwood Oil	<u>588,504</u>

Consideration:

Predator Blockchain Post-Shares (note 2(a))	1,698,111
Predator Blockchain Post-Options (note 2(e))	150,000
	<u>\$ 1,848,111</u>
Excess consideration being listing expense	<u>\$ 1,259,607</u>

4. SHARE CAPITAL CONTINUITY

The share capital figures in the Pro-Forma FS are summarized below:

	Predator Blockchain	Highwood Oil	Pro-Forma Adjustments	Pro-Forma Share Capital
# of Shares	10,000,000	5,538,674	2(a) (9,811,321) 2(d) 8,800 2(f) 305,530 2(g) (100,000)	5,941,683
Stated Value	\$ 593,233	\$ 11,500,000	\$ 2(d) 79,200 2(f) 1,527,650 2(g) (207,631) 3 (593,233) 3 1,698,111	\$ 14,597,330

5. PROFORMA OPTIONS AND AGENT OPTIONS

Immediately following the transactions outlined in notes 1 and 2, the combined entity will have 18,868 options and 7,547 agent options outstanding, exercisable at \$5.30 per share.

6. INCOME TAXES

The Pro-Forma Consolidated financial statements effective income tax rate applicable to the combined operations will be 27%. No adjustments for income taxes have been made to the Pro-Forma FS as their effect would be immaterial.

APPENDIX F
AMALGAMATION RESOLUTION

BE IT RESOLVED as a special resolution and majority of the minority shareholders that:

1. the amalgamation (the “**Amalgamation**”) under Sections 182 and 183 of the *Business Corporations Act* (Alberta) (the “**ABCA**”) involving Predator Blockchain Capital Corp. (“**PBC**”) and Highwood Oil Company Ltd. (“**Highwood**”) substantially as set out in the amalgamation agreement dated as of the 20th day of December, 2018 between PBC and Highwood (the “**Amalgamation Agreement**”) is hereby authorized, approved and adopted;
2. the Amalgamation Agreement is hereby confirmed, ratified and approved;
3. notwithstanding that this resolution has been passed by the shareholders of PBC, the directors of PBC are hereby authorized and empowered (a) to amend the Amalgamation Agreement to the extent permitted by the Amalgamation Agreement, and (b) to decide not to proceed with the Amalgamation or to otherwise give effect to this resolution at any time prior to the issue of a certificate of amalgamation under the ABCA with respect to the Amalgamation without further notice to or approval of the shareholders of PBC; and
4. any officer or director of PBC is hereby authorized and directed for and on behalf of PBC to execute or cause to be executed, under the seal of PBC or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the taking of any such act or thing.

APPENDIX G
PBC CONSOLIDATION RESOLUTION

BE IT RESOLVED as a special resolution that:

1. the issued and outstanding common shares in the capital of Predator Blockchain Capital Corp. (the “**Corporation**”) be consolidated on the basis of one (1) post-consolidation common share for every 53 common shares currently issued and outstanding (the “**Consolidation**”) shares;
2. no fractional shares shall be issued upon the Consolidation, and each fractional common share that is less than one (1) post-Consolidation common share will be rounded to the nearest whole number;
3. notwithstanding that this resolution has been passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered without further approval of the shareholders of the Corporation, at any time prior to the Consolidation, to not proceed with the Consolidation or otherwise give effect to these resolutions;
4. the effective date of such Consolidation shall be the date shown in the certificate of amendment; and
5. any officer or director of the Corporation is hereby authorized and directed for and on behalf of and in the name of the Corporation, under the seal of the Corporation or otherwise, to execute and deliver articles of amendment to effect the foregoing resolutions with the Registrar of Corporations for the Province of Alberta and all other documents and instruments and to take all such other actions as such officer or director may deem necessary or desirable to implement the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such documents and other instruments or the taking of any such action.

APPENDIX H
PBC ALTERNATE OPTION PLAN RESOLUTION

BE IT RESOLVED as an ordinary resolution that:

1. the Resulting Issuer Stock Option Plan, a copy of which is attached as Schedule “E” to Appendix “B” to the management information circular of Predator Blockchain Capital Corp. (the “**Corporation**”) dated December 20, 2018 (the “**Circular**”) accompanying the notice of this meeting is approved;
2. upon Completion of the Highwood QT (as defined in the Circular), the Resulting Issuer Stock Option Plan is hereby adopted as the option plan of the Corporation; and
3. any officer or director of the Corporation is hereby authorized and directed for and on behalf of and in the name of the Corporation to execute, under the seal of the Company or otherwise, and to deliver, all documents, agreements and instruments and to do all such other acts and things, as such officer or director may deem necessary or desirable to implement the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments or doing of any such act or thing.

APPENDIX I
PBC ALTERNATE RSU PLAN RESOLUTION

BE IT RESOLVED as an ordinary resolution that:

1. the Resulting Issuer RSU Plan, a copy of which is attached as Schedule “F” to Appendix “B” to the management information circular of Predator Blockchain Capital Corp. (the “**Corporation**”) dated December 20, 2018 (the “**Circular**”) accompanying the notice of this meeting is approved;
2. upon Completion of the Highwood QT (as defined in the Circular), the Resulting Issuer RSU Plan is hereby adopted as the option plan of the Corporation; and
3. any officer or director of the Corporation is hereby authorized and directed for and on behalf of and in the name of the Corporation to execute, under the seal of the Company or otherwise, and to deliver, all documents, agreements and instruments and to do all such other acts and things, as such officer or director may deem necessary or desirable to implement the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments or doing of any such act or thing.

APPENDIX J
ABCA SECTION 191

PBC Shareholders have the right to dissent in respect of the Amalgamation in accordance with Section 191 of the ABCA. Such right to dissent is described in the Information Circular. The full text Section 191 of the ABCA is set forth below.

Shareholder's right to dissent

- 191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to:
- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
 - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under section 189, or
 - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

- to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
- (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
- (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

- (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
- (c) fixing the time within which the corporation must pay that amount to a shareholder, and
- (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

**APPENDIX K
AGREEMENT**

See attached.

AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT made as of the 20th day of December, 2018.

BETWEEN:

HIGHWOOD OIL COMPANY LTD., a body corporate incorporated under the laws of Alberta (hereinafter called "**Highwood**")

OF THE FIRST PART

- and -

PREDATOR BLOCKCHAIN CAPITAL CORP., a body corporate incorporated under the laws of Alberta (hereinafter called "**Predator**")

OF THE SECOND PART

WHEREAS Predator is a capital pool company listed on the Exchange;

WHEREAS Predator and Highwood have agreed to structure a business combination by way of an amalgamation in accordance with the provisions of the ABCA;

WHEREAS the Amalgamation will constitute Predator's Qualifying Transaction;

AND WHEREAS the parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and other matters relating to the Amalgamation;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the above premises and of the covenants, agreements, representations and warranties hereinafter contained, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 **Definitions.** In this Agreement including in the preamble, unless there is something in the context or subject matter inconsistent therewith, the following defined terms shall have the meanings hereinafter set forth:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;
- (b) "**Agreement**", "**this Agreement**", "**herein**", "**hereby**", "**hereof**", "**hereunder**" and similar expressions mean or refer to this agreement, together with the schedules hereto and any amendments hereto.
- (c) "**Amalco**" means the continuing corporation to be constituted upon completion of the Amalgamation, to be named "Highwood Oil Company Ltd.", or such other name as Highwood may determine.
- (d) "**Amalco Board**" means the proposed board of directors of Amalco as constituted from time to time.
- (e) "**Amalco Escrow Agreement**" means the escrow agreement to be entered into among Amalco Registrar and Transfer Agent, Amalco and certain shareholders of Amalco in compliance with the requirements of the Exchange, with the securities subject to such agreement to be released in accordance with the prescribed policies of the Exchange.

- (f) “**Amalco Options**” means stock options granted pursuant to Amalco Stock Option Plan.
- (g) “**Amalco Predator Agents’ Warrants**” means the warrants of Amalco to be issued pursuant to the Amalgamation in replacement for the outstanding Predator Agents’ Warrants each entitling the holder to acquire one Amalco Share at a price of \$5.30 per share on or before April 30, 2023.
- (h) “**Amalco Predator Options**” means the stock options of Amalco to be issued pursuant to the Amalgamation in replacement for the outstanding Predator Options, each entitling the holder to acquire one Amalco Share at a price of \$5.30 per share on or before the date that is five years following the listing of Predator Shares on the Exchange.
- (i) “**Amalco Registrar and Transfer Agent**” means Odyssey Trust Company, and any other person which may be appointed as registrar and transfer agent of Amalco from time to time.
- (j) “**Amalco PSU Plan**” means the performance share unit plan of Highwood to be approved at the Predator Meeting.
- (k) “**Amalco RSU Plan**” means the restricted share unit plan of Highwood to be approved at the Predator Meeting.
- (l) “**Amalco RSUs**” means restricted share units granted pursuant to the Amalco RSU Plan.
- (m) “**Amalco Shares**” means the common shares in the capital of Amalco having the attributes specified in the Articles of Amalgamation.
- (n) “**Amalco Stock Option Plan**” means the stock option plan of Highwood to be approved at the Predator Meeting.
- (o) “**Amalgamation**” means the amalgamation of Highwood and Predator pursuant to the ABCA provided for herein to form Amalco.
- (p) “**Applicable Securities Laws**” means, collectively, the applicable securities laws of each of the provinces of Canada, the respective regulations, rules and orders made and forms prescribed thereunder together with all applicable published rules, policy statements, blanket orders and rulings of the securities commissions in such provinces.
- (q) “**Articles of Amalgamation**” means the articles of amalgamation of Amalco, substantially in the form attached hereto as Schedule “A”.
- (r) “**associate**”, “**affiliate**”, “**insider**” and “**promoter**” have the respective meanings ascribed thereto in the *Securities Act* (Alberta).
- (s) “**Business Day**” means any day other than a Saturday or Sunday or a day when banks in the City of Calgary are not generally open for business.
- (t) “**Certificate of Amalgamation**” means the certificate of amalgamation for the Amalgamation issued by the Director pursuant to subsection 185(4) of the ABCA.
- (u) “**Closing**” means the completion of the Amalgamation.
- (v) “**Closing Date**” means the date of the Closing, which shall be within seven (7) Business Days following the later of the approval of the Highwood Amalgamation Resolution and Predator Amalgamation Resolution and the receipt of conditional approval of the Exchange, or such other date as Highwood and Predator may collectively agree, acting reasonably, and in any event not later than January 31, 2019 or any other date agreed upon by Highwood and Predator.

- (w) “**CPC**” means a corporation:
 - (i) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the policies of the Exchange; and
 - (ii) in regard to which a Final Exchange Bulletin has not yet been issued.
- (x) “**Dissent Rights**” means such rights of dissent as provided in the manner set forth in Section 191 of the ABCA in connection with the Amalgamation for the shareholders of Predator and Highwood.
- (y) “**Effective Date**” means the effective date of the Amalgamation, which shall be the date of the Certificate of Amalgamation.
- (z) “**Exchange**” or “**TSXV**” means the TSX Venture Exchange.
- (aa) “**Exchange Ratio**” means the exchange ratio for the Amalgamation, being one (1) Amalco Share for each one (1) Highwood Share and one (1) Amalco Share for every one (1) Predator Share.
- (bb) “**Final Exchange Bulletin**” means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.
- (cc) “**GLJ**” means GLJ Petroleum Consultants Ltd., independent petroleum reserve evaluators pursuant to NI 51-101.
- (dd) “**GLJ Report**” means the independent reserves report prepared by GLJ in relation to the crude oil and natural gas reserves of Highwood dated May 25, 2018, and with an effective date of March 31, 2018.
- (ee) “**Governmental Entity**” means any: (i) national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) subdivision, agent, commission board or authority of any of the foregoing; or (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.
- (ff) “**Highwood**” means Highwood Oil Company Ltd., a company incorporated under the ABCA with its registered office located in Calgary, Alberta.
- (gg) “**Highwood Amalgamation Resolution**” means the special resolution of the shareholders of Highwood approving the Amalgamation and the Amalgamation Agreement in accordance with the ABCA.
- (hh) “**Highwood Board**” means the board of directors of Highwood, as constituted from time to time.
- (ii) “**Highwood Financial Statements**” has the meaning ascribed thereto in Section 3.2(f).
- (jj) “**Highwood Letter of Transmittal**” means the letter of transmittal to be used by holders of Highwood Shares for the purpose of surrendering certificates representing the Highwood Shares and exchanging them for certificates representing Amalco Shares.

- (kk) “**Highwood Option Plan**” means the current stock option plan of Highwood and in the form attached to the Information Circular.
- (ll) “**Highwood PSU Plan**” means the current performance share unit plan of Highwood and in the form attached to the Information Circular.
- (mm) “**Highwood RSU Plan**” means the current restricted share unit plan of Highwood and in the form attached to the Information Circular.
- (nn) “**Highwood Shares**” means the common shares in the capital of Highwood.
- (oo) “**Information Circular**” means the management information circular and proxy statement of Predator dated December 20, 2018, together with all Appendices thereto, distributed to the holders of Predator Shares in connection with the Predator Meeting, respectively.
- (pp) “**Material Adverse Change**” or “**Material Adverse Effect**” means, when used in connection with a company, any change or effect (or any condition, event or development involving a prospective change or effect) in or on the business, operations, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights or liabilities, whether contractual or otherwise, of the company and its subsidiaries, taken as a whole, and which change or effect may reasonably be expected to materially reduce the value of the equity securities of the company (other than a change or effect: (i) which arises out of a matter that has been publicly disclosed or otherwise disclosed in writing by the company to the other party prior to the date hereof; (ii) resulting from conditions affecting the oil and gas industry generally in jurisdictions in which the company or its subsidiaries carry on business; or (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere).
- (qq) “**NI 51-101**” means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.
- (rr) “**Parties**” means, collectively, the parties to this Agreement, and “**Party**” means any one of them as the case may be.
- (ss) “**Person**” means a natural person, firm, corporation, trust, partnership, joint venture, governmental body or agency or association.
- (tt) “**Predator**” means Predator Blockchain Capital Corp., a public company incorporated under the ABCA with its head office located in Calgary, Alberta.
- (uu) “**Predator Agents’ Warrants**” means the 100,000 warrants of Predator granted to certain agents, each entitling the holder to purchase one Predator Share at a price of \$0.10 per share for two years from the date of listing of the Predator Shares on the Exchange.
- (vv) “**Predator Amalgamation Resolution**” means the special resolution in accordance with the ABCA and Policy 2.4 of the Exchange of the shareholders of Predator approving the Amalgamation and the Amalgamation Agreement.
- (ww) “**Predator Board**” means the board of directors of Predator, as constituted from time to time.
- (xx) “**Predator Consolidation**” means the share consolidation of the Predator Shares, on the basis of one (1) post-consolidation Predator Share for each fifty-three (53) pre-consolidation Predator Shares, to be completed by Predator prior to Closing.
- (yy) “**Predator Escrow Agreement**” means the CPC escrow agreement dated March 20, 2018 among Predator, Odyssey Trust Company and certain shareholders of Predator.

- (zz) “**Predator Escrowed Shares**” means the Predator Shares held in escrow pursuant to the terms of the Predator Escrow Agreement.
- (aaa) “**Predator Financial Statements**” means the unaudited condensed interim financial statements of the Predator for the period from incorporation ending September 30, 2018.
- (bbb) “**Predator Meeting**” means the special meeting of the shareholders of Predator to approve, among other things, the Amalgamation.
- (ccc) “**Predator Option Plan**” means the current incentive stock option plan of Predator.
- (ddd) “**Predator Options**” means the 1,000,000, stock options of Predator granted to directors and officers of Predator, each entitling the holder to purchase one Predator Share at a price of \$0.10 per share for five years from the date of grant.
- (eee) “**Predator Shares**” means the common shares in the capital of Predator.
- (fff) “**Public Record**” means all information filed with the securities commissions, including without limitation, the documents and any other information filed with any securities commissions in compliance, or intended compliance, with any Applicable Securities Laws.
- (ggg) “**Qualifying Transaction**” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.
- (hhh) “**Recognized Stock Exchange**” means a recognized Canadian or US Exchange, including but not limited to the Toronto Stock Exchange, TSXV, NYSE or NASDAQ.
- (iii) “**Registrar**” means the Registrar appointed under the ABCA.
- (jjj) “**Registrar and Transfer Agent**” means, in respect of Predator, Odyssey Trust Company, and in respect of Highwood, any person which may be appointed as registrar and transfer agent of Highwood, as applicable, from time to time.
- (kkk) “**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by a CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the Exchange.
- (lll) “**Tax Act**” means the *Income Tax Act* (Canada) as from time to time amended or re-enacted and includes any regulations heretofore or hereafter made pursuant thereto.
- (mmm) “**Termination Date**” shall have the meaning attributed to such term in Section 7.2.
- (nnn) “**TSXV Escrow Agreement**” means the escrow agreement to be entered into among the Amalco Registrar and Transfer Agent, Amalco and certain shareholders of Amalco in compliance with the requirements of the Exchange, with the securities subject to such agreement to be released in accordance with the prescribed policies of the Exchange.
- (ooo) “**U.S.**” or “**United States**” means the United States of America, its territories and possession, any State of the United States and the District of Columbia.
- (ppp) “**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

1.2 **Interpretation Not Affected by Headings, etc.** The division of this Agreement into articles, sections and subsections is for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein”, and “hereunder” and similar expressions refer to this

Agreement and not to any particular article, section or other portion hereof and include any Agreement or instrument supplementary or ancillary hereto.

1.3 **Number, etc.** Words importing the singular number shall include the plural and vice versa, words importing the use of any gender shall include all genders and words importing persons shall include firms and corporations and vice versa.

1.4 **Date for Any Action.** In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where an action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.5 **Rounding.** In performing the various mathematical calculations required to be performed hereunder, all numbers shall be rounded to the nearest three (3) decimal places.

1.6 **Currency.** All sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

1.7 **Accounting.** Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under International Financial Reporting Standards (“IFRS”) and all determinations of an accounting nature that are required to be made shall be made in a manner consistent with IFRS.

1.8 **Knowledge.** Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Highwood or Predator, as applicable, it shall be deemed to refer to the actual knowledge after having made due inquiry of the officers and directors of the particular company.

1.9 **Meanings.** Words and phrases defined in the ABCA shall have the same meaning herein as in the ABCA, unless otherwise defined herein or the context otherwise requires. Unless otherwise specifically indicated or the context otherwise requires “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”.

1.10 **Schedules.** The following schedule is annexed to this Agreement and is hereby incorporated by reference into this Agreement and forms part hereof:

Schedule “A” - Articles of Amalgamation

Schedule “B” - By-laws

ARTICLE 2 AMALGAMATION

2.1 **Amalgamation.** On or before the Closing Date, subject to the terms and conditions of this Agreement, Predator and Highwood shall take all steps required to complete the Amalgamation and, without limitation, use all reasonable commercial efforts to obtain the approval of the Predator Amalgamation Resolution and the Highwood Amalgamation Resolution, and to apply for and obtain all other consents, orders or approvals as counsel may advise are necessary or desirable for the implementation of the Amalgamation and the filing of the Articles of Amalgamation with the Registrar pursuant to subsection 185 of the ABCA. The Amalgamation shall become effective on the Effective Date.

2.2 **Name.** The name of Amalco shall be “Highwood Oil Company Ltd.”.

2.3 **Registered Office.** The registered office of Amalco shall be situated at 250 2nd Street S.W., Suite 1000 Livingston Place West, Calgary, Alberta T2P 0C1.

2.4 **Authorized Capital.** Amalco shall be authorized to issue an unlimited number of Amalco Shares and an unlimited number of preferred shares, issuable in series, which shall have the rights, privileges, restrictions and conditions set forth in the Articles of Amalgamation.

2.5 **Restrictions on Share Transfer.** The transfer of the Amalco Shares shall not be subject to any restrictions.

2.6 **Number of Directors.** The minimum number of directors of Amalco shall be three and the maximum number of directors of Amalco shall be 15.

2.7 **First Directors.** The number of first directors of Amalco shall be four. The first directors of Amalco shall be:

<u>Name</u>	<u>Address</u>
Greg Macdonald	
Stephen J. Holyoake	
Trevor Wong-Chor	
Arif Shivji	

The first directors shall hold office until the first annual meeting of the shareholders of Amalco, or until their successors are duly appointed or elected. The subsequent directors shall be elected each year thereafter as provided for in the ABCA, in the Articles of Amalgamation and in the by-laws of Amalco. The management and operation of the business and affairs of Amalco shall be under the control of the Amalco Board as it is constituted from time to time.

2.8 **First Officers.** The first officers of Amalco shall be the persons whose names and titles appear below:

<u>Name</u>	<u>Title</u>
Greg Macdonald	President and Chief Executive Officer
Graydon Glans	Chief Financial Officer and Corporate Secretary
Kelly McDonald	Vice-President, Exploration

Each of such officers shall hold office until his successor is appointed.

2.9 **First Auditors.** The first auditors of Amalco shall be RSM Alberta LLP, whose office is located at 1400, 777 8th Avenue S.W., Calgary, Alberta, T2P 3R5.

2.10 **Fiscal Year.** The fiscal year end of Amalco shall be December 31.

2.11 **Restrictions on Business.** There shall be no restrictions on the business that Amalco may carry on.

2.12 **Articles of Amalgamation and By-laws.** The Articles of Amalgamation of Amalco shall be in the form set forth as Schedule "A" hereto and the by-laws of Amalco, until repealed, amended or altered, shall be the by-laws in the form set forth as Schedule "B" hereto.

2.13 **Effect of Certificate of Amalgamation.** On the Effective Date:

- (a) the Amalgamation of Predator and Highwood and their continuance as one corporation shall become effective;
- (b) the property of each of Predator and Highwood shall continue to be the property of Amalco;
- (c) Amalco shall continue to be liable for the obligations of each of Predator and Highwood;

- (d) any existing cause of action, claim or liability to prosecution of either Predator or Highwood shall be unaffected;
- (e) any civil, criminal or administrative action or proceeding pending by or against either Predator or Highwood may be continued to be prosecuted by or against Amalco;
- (f) a conviction against, or ruling, order or judgment in favour of or against, either Predator or Highwood may be enforced by or against Amalco; and
- (g) the Articles of Amalgamation shall be deemed to be the Articles of Incorporation of Amalco and the Certificate of Amalgamation shall be deemed to be the Certificate of Incorporation for Amalco.

2.14 Manner of Exchange of Issued Securities. On the Effective Date:

- (a) each issued and outstanding Highwood Share, shall be exchanged for one (1) fully-paid and non-assessable Amalco Share;
- (b) each issued and outstanding Predator Share on a post Predator Consolidation basis, shall be exchanged for one (1) fully-paid and non-assessable Amalco Share;
- (c) subject to subsection 2.14(g) hereof, each one (1) Predator Option shall be exchanged for one (1) Amalco Predator Option;
- (d) subject to subsection 2.14(g) hereof, each one (1) Predator Agent's Warrant shall be exchanged for one (1) Amalco Predator Agent's Warrant;
- (e) the aggregate stated capital of Amalco shall be an amount equal to the aggregate paid up capital for purposes of the *Income Tax Act* (Canada) of Highwood and Predator immediately prior to such time, and such stated capital shall be allocated on an equal basis to each share of Amalco issued on the Amalgamation, or as otherwise determined by the directors of Amalco;
- (f) no fractional Amalco Shares shall be issued to holders of Highwood Shares or holders of Predator Shares; and
- (g) no fractional securities convertible into Amalco Shares shall be issued to holders of Predator Options or Predator Agents' Warrants; in lieu of any fractional entitlement, the number of securities convertible into Amalco Shares issued to each former holder of Predator Options or Predator Agents' Warrants, as the case may be, shall be rounded up to the next greater whole number of securities convertible into Amalco Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of securities convertible into Amalco Shares if the fractional entitlement is less than 0.5.

2.15 Restrictions on Securities. The parties acknowledge and agree that the Amalco Shares to be issued to the shareholders of Highwood and Predator pursuant to Section 2.14 hereof will be subject to compliance with Applicable Securities Laws. The issuance of the Amalco Shares to persons in the United States in connection with the Amalgamation shall be conditional on the availability of an exemption from the registration requirements of the U.S. Securities Act, and such Amalco Shares shall be "restricted securities" as such term is defined in Rule 144 under the U.S. Securities Act, and shall bear a legend to that effect. In addition, certain of the Amalco Shares to be issued to the shareholders of Predator and Highwood, as required by the Exchange, will be subject to the Predator Escrow Agreement, the TSXV Escrow Agreement and such other escrow agreements or resale restrictions as required by the policies of the Exchange.

2.16 Certificates. On the Effective Date:

- (a) the registered holders of Highwood Shares shall cease to be holders of such shares and shall be deemed to be registered holders of Amalco Shares, to which they are entitled in accordance with Section 2.14 hereof, and on or after the Effective Date the holders of certificates representing Highwood Shares shall be automatically cancelled on the records of Highwood, such certificates to the Amalco Registrar and Transfer Agent, together with a completed Highwood Letter of Transmittal, and, upon such surrender, subject to the provisions of the TSXV Escrow Agreement, the Amalco Registrar and Transfer Agent will deliver such certificates representing the number of Amalco Shares to which they are so entitled pursuant to a direction from Amalco;
- (b) the registered holders of Predator Shares shall cease to be holders of Predator Shares, and shall be deemed to be registered holders of Amalco Shares to which they are entitled in accordance with Section 2.14 hereof, and on or after the Effective Date the holders of certificates representing Predator Shares shall be automatically cancelled on the records of Highwood and, surrender, subject to the provisions of the Predator Escrow Agreement and the TSXV Escrow Agreement, the Amalco Registrar and Transfer Agent will deliver certificates representing the number of Amalco Shares to which they are so entitled pursuant to a direction from Amalco; and
- (c) the registered holders of Predator Options and Predator Agents' Warrants shall be deemed to be the registered holders of equivalent securities of Amalco to which they are entitled in accordance with Section 2.14 hereof upon surrender of their existing certificates and/or agreements, as soon as reasonably possible, shall receive executed certificates or agreements evidencing such securities of Amalco.

2.17 **Lost Certificates.** In the event any certificate which immediately prior to the Effective Date represented one or more outstanding Highwood Shares or Predator Shares that are to be exchanged pursuant to Sections 2.14 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder thereof, as applicable, claiming such certificate to be lost, stolen or destroyed, the transfer agent in respect thereof will issue in exchange for such lost, stolen or destroyed certificate, one (1) or more certificates representing one (1) or more Amalco Shares to which they are entitled and, in each case deliverable pursuant to Sections 2.14. In exchange for any lost, stolen, destroyed certificate, the holder to whom certificates representing such Amalco Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Amalco and the Amalco Registrar and Transfer Agent in such sum as Amalco may direct or otherwise indemnify Amalco in a manner satisfactory to Amalco against any claim that may be made against Amalco with respect to the certificate alleged to have been lost, stolen or destroyed.

2.18 **Dissenting Shareholders.** Shareholders of Predator who validly exercise their Dissent Rights in connection with the Amalgamation, pursuant to and in the manner set forth in the Predator Information Circular, shall not be entitled to exchange their Predator Shares for Amalco Shares pursuant to the Amalgamation. However, if a shareholder of Predator fails to perfect or effectively withdraws such Dissent Rights or forfeits such Dissent Rights or if his, her or its rights as a shareholder of Predator are otherwise reinstated, such shareholder of Predator shall thereupon be deemed to have been exchanged for their Predator Shares, as of the Effective Date as prescribed herein. Shareholders of Predator entitled to vote at the Predator Meeting, respectively, may exercise Dissent Rights with respect to their Predator Shares in connection with the Amalgamation, pursuant to and in the manner set forth under the ABCA and discussed in in the Information Circular. Predator shall provide prompt notice to Highwood of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by Predator.

2.19 **Meeting and Information Circular**

As promptly as practical following the execution of this Agreement and in compliance with Applicable Securities Laws:

- (a) Predator shall prepare the Information Circular with the assistance of Highwood and Predator shall ensure that the Information Circular provides holders of Predator Shares with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them,

in all cases ensuring compliance in all material respects with all Applicable Securities Laws on the date of issue thereof;

- (b) Predator shall cause the Information Circular to be mailed to applicable holders of Predator Shares on or before December 20, 2018 and filed with applicable regulatory authorities and other Governmental Entities in all jurisdictions where the same are required to be mailed and filed;
- (c) the Predator Board shall have determined that the Amalgamation is in the best interests of Predator and the shareholders of Predator, have approved the Amalgamation and the entering into of the Amalgamation Agreement and have resolved to recommend that shareholders of Predator vote in favour of the Amalgamation. Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included in the Predator Information Circular;
- (d) the Highwood Board shall have determined that the Amalgamation is in the best interests of Highwood and the shareholders of Highwood, have approved the Amalgamation and the entering into of the Amalgamation Agreement and have resolved to recommend that shareholders of Highwood vote in favour of the Amalgamation; and
- (e) Highwood and Predator shall cooperate in the preparation, filing and mailing of the Information Circular. Predator shall provide Highwood and its representatives with a reasonable opportunity to review and comment on the Information Circular and any other relevant documentation and shall incorporate all reasonable comments made by Highwood and its counsel and the Information Circular shall be reasonably satisfactory to Highwood before it is filed or distributed to the holders of Predator Shares.

2.20 **Stock Option Plan.** The stock option plan of Amalco shall be the Highwood Option Plan.

2.21 **RSU Plan.** The restricted share unit plan of Amalco shall be the Highwood RSU Plan.

2.22 **PSU Plan.** The performance share unit plan of Amalco shall be the Highwood PSU Plan.

ARTICLE 3 COVENANTS

3.1 **Covenants of Highwood.** Highwood covenants and agrees with Predator that Highwood will not, from the date of execution hereof to and including the earlier of the Effective Date and the Termination Date:

- (a) issue any securities, conversion privileges or rights without the prior written consent of Predator, such consent not to be unreasonably withheld;
- (b) alter or amend its articles or by-laws;
- (c) engage in any business enterprise or other activity different from that carried on as of the date hereof;
- (d) reduce its stated capital;
- (e) take any action or fail to take action that would accelerate or trigger defaults or repayments in respect of any obligation, contract or regulatory approval;
- (f) pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction:
 - (i) of liabilities incurred in the usual, ordinary and regular course of business consistent with past practice, reflected or reserved against in the Highwood Financial Statements;

- (ii) incurred in connection with the transactions contemplated in this Agreement; or
- (iii) of liabilities or potential liabilities previously disclosed to Predator in writing;
- (g) commence or settle any litigation, proceeding, claim, action, assessment or investigation before any Governmental Entity;
- (h) merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization with any other corporation or person or perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the completion of the transactions contemplated hereby, other than as contemplated in this Agreement and, without limiting the generality of the foregoing, Highwood will not:
 - (i) make any distribution by way of dividend, return of capital or otherwise to or for the benefit of Highwood's securityholders; or
 - (ii) make any payment to any director, officer or employee except pursuant to existing arrangements;
- (i) redeem, purchase or offer to purchase any of its common shares or other securities except for securities outstanding as of the date hereof; or
- (j) approve, authorize or implement any Material Adverse Change to the business, financial condition or management approved by Predator.

3.2 **Further Covenants of Highwood.** Highwood covenants and agrees with Predator that Highwood will, from the date of execution hereof to and including the earlier of the Effective Date and the Termination Date:

- (a) conduct business, only in, and not take any action except in the usual and ordinary course of business;
- (b) use all reasonable commercial efforts to obtain all required shareholders, third party and regulatory approvals for the Amalgamation;
- (c) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the transactions contemplated by this Agreement;
- (d) cooperate with Predator in the preparation the Information Circular providing comprehensive disclosure with respect to Highwood in the form required by the Exchange;
- (e) make other necessary filings and applications under applicable federal and provincial laws and regulations required on the part of Highwood in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;
- (f) provide Predator with the Unaudited Statement of Financial Position as at September 30, 2018 and Statements of Net & Comprehensive Loss, Changes in Shareholders' Equity and Cash Flows for the nine-month period ending September 30, 2018, along with notes thereto, and the Audited Statement of Financial Position as at December 31, 2017 and Statements of Net & Comprehensive Loss, Changes in Shareholders' Equity and Cash Flows for the year ended December 31, 2017, including the notes thereto and the Auditor's Report thereon, for inclusion in the Information Circular (the "**Highwood Financial Statements**");

- (g) provide Predator with the GLJ Report in respect of its assets prepared in accordance with the requirements of NI 51-101 and the policies of the Exchange as referenced in the Information Circular;
- (h) use reasonable commercial efforts to conduct its affairs so that Highwood's representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties require modification to give effect to the transactions contemplated herein;
- (i) use reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and reinsurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (j) continue to maintain its properties and assets, to the extent with the nature of its interest permits, in a proper and prudent manner, in accordance with good oilfield practice and applicable laws;
- (k) pay or cause to be paid all reasonable costs and expenses relating to its assets which become due from the date hereof to the Effective Date;
- (l) perform and comply with all material covenants and conditions contained in all contracts, leases, grants, agreements, permits, licences, orders and documents governing its assets or to which its assets are subject;
- (m) promptly notify Predator of any Material Adverse Change, or any material Governmental Entity or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
- (n) use reasonable commercial efforts to cause each of the conditions precedent set forth in Sections 5.1 and 5.3 hereof to be complied with;
- (o) use reasonable commercial efforts to assist Predator in carrying out the intent or effect of this Agreement and the Amalgamation;
- (p) subject to the satisfaction of the conditions precedent in Sections 5.1 and 5.3 hereof, thereafter together with Predator file with the Director the Articles of Amalgamation and such other documents as may be required to give effect to the Amalgamation on or before the Termination Date;
- (q) notify Predator immediately upon becoming aware that any of the representations and warranties of Highwood contained herein are no longer true and correct in any material respect; and
- (r) except for proxies and other non-substantive communications with securityholders, furnish promptly to Highwood a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Amalgamation; (ii) any filings under Applicable Securities Laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein.

3.3 **Covenants of Predator.** Predator covenants and agrees with Highwood that it will not from the date of execution hereof to and including the earlier of the Termination Date and the Effective Date, except as contemplated by this Agreement or with the prior written consent of Highwood, such consent not to be unreasonably withheld:

- (a) issue any securities, conversion privileges or rights, without the prior written consent of Highwood, such consent not to be unreasonably withheld, other than pursuant to the exercise of the Predator Options or the Predator Agents' Warrants;
- (b) make any expenditures, other than in connection with Applicable Securities Laws and the Exchange policies and the completion of the Amalgamation;
- (c) enter into any contracts, other than in connection with the Amalgamation;
- (d) alter or amend its articles or by-laws;
- (e) engage in any business enterprise or other activity different from that carried on as of the date hereof;
- (f) merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization with, any other corporation or person or perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the completion of the transactions contemplated hereby, other than as contemplated in this Agreement and, without limiting the generality of the foregoing, Predator will not:
 - (i) make any distribution by way of dividend, return of capital or otherwise to or for the benefit of Predator's securityholders; or
 - (ii) make any payment to any director, officer or employee except pursuant to existing employment arrangements;
- (g) acquire, directly or indirectly, any assets, including but not limited to securities of other companies;
- (h) incur or commit to incur any indebtedness for borrowed money or issue any debt securities;
- (i) redeem, purchase or offer to purchase any of its common shares or other securities; or
- (j) approve, authorize or implement any Material Adverse Change to the business, financial condition or management of Predator.

3.4 **Further Covenants of Predator.** Predator covenants and agrees with Highwood that it will from the date of execution hereof to and including the earlier of the Termination Date and the Effective Date:

- (a) use all reasonable commercial efforts to obtain all required shareholders, third party and regulatory approvals for the Amalgamation;
- (b) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the transactions contemplated by this Agreement;
- (c) prepare the Information Circular providing comprehensive disclosure with respect to Predator in the form required by the Exchange;
- (d) prior to the Closing Date, convene the Predator Meeting for the purpose of approving the matters to be considered at the Predator Meeting;
- (e) mail to its shareholders the Information Circular and other documentation required in connection with the Predator Meeting in accordance with applicable laws as soon as reasonably practicable;

- (f) make other necessary filings and applications under applicable federal and provincial laws and regulations required on the part of it in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;
- (g) use reasonable commercial efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties require modification to give effect to the transactions contemplated herein;
- (h) use commercially reasonable efforts to cause each of the conditions precedent set forth in Sections 5.1 and 5.2 hereof to be complied with;
- (i) use its reasonable commercial efforts to assist Highwood in carrying out the intent or effect of this Agreement and the Amalgamation;
- (j) subject to the satisfaction of the conditions in Sections 5.1 and 5.3 hereof, thereafter together with Highwood file with the Director the Articles of Amalgamation and such other documents as may be required to give effect to the Amalgamation on or before the Termination Date; and
- (k) notify Highwood immediately upon becoming aware that any of the representations and warranties of Predator contained herein are no longer true and correct in any material respect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 **Representations and Warranties of Highwood.** Highwood represents and warrants as at the date of this Agreement to and in favour of Predator as follows, and acknowledges that Predator is relying upon such representations and warranties in connection with the completion of the transactions contemplated herein:

- (a) Highwood is a corporation duly incorporated under the laws of Alberta and is a valid and subsisting corporation under the ABCA and is in compliance, in all material respects, with the requirements of the ABCA, and has all requisite power and authority to carry on its business and to carry out the provisions hereof;
- (b) Highwood has no subsidiaries;
- (c) Highwood has the requisite power, capacity and authority to enter into this Agreement on the terms and conditions herein set forth;
- (d) the authorized capital of Highwood consists of an unlimited number of common shares, without nominal or par value, and an unlimited number of preferred shares, issuable in series, of which 5,744,204 Highwood Shares are outstanding as at the date hereof;
- (e) other than securities issued or to be issued pursuant to this Agreement, no Person has any agreement, option or right, understanding, warrant call, conversion right, commitment or right or privilege of any kind to acquire or capable of becoming an agreement for the allotment, purchase or acquisition of any of the unissued share capital of Highwood, and there are no outstanding securities or instruments which are convertible into or exchangeable for shares of Highwood;
- (f) the information concerning Highwood to be set forth in the Information Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in light of the circumstances in which it will be made, and such information in the Information Circular will, in accordance with Applicable Securities Laws, constitute full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the shareholders of Predator at the Predator Meeting concerning Highwood;

- (g) Highwood is not liable, in any material respects, for any foreign or Canadian federal, provincial, municipal or local taxes, assessments, withholding taxes, employee or other remittances, or other imposts or penalties due and unpaid at the date hereof in respect of their respective income, employees, business or property, or for the payment of any tax instalment due in respect of its current taxation year (but not including taxes accruing due) or any previous taxation years, and no such taxes, assessments, imposts, remittances or penalties are required to be reserved;
- (h) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, or, to the knowledge of Highwood, pending or threatened against or relating to Highwood or affecting the assets of Highwood which if determined adversely to Highwood might have or might reasonably be expected to have a Material Adverse Effect on the properties, business, future prospects or the financial condition of Highwood and there is no circumstance, matter or thing known to Highwood which might give rise to any such proceeding or to any governmental investigation relative to Highwood and there is not outstanding against Highwood any judgment, decree, injunction, rule or order of any court, government department, commission, agency or arbitrator;
- (i) Highwood is a taxable Canadian corporation as defined in the *Income Tax Act* (Canada) and is not liable, in any material respect, for any Canadian federal, provincial, municipal or local taxes, sales tax assessments, withholding taxes, employee or other remittances, or other imposts or penalties due and unpaid at the date hereof in respect of its income, capital, employees, business or property, or for the payment of any tax instalment due in respect of its current taxation year (but not including taxes accruing due) or any previous taxation years, and no such taxes, assessments, imposts, remittances or penalties are required to be reserved. All such taxes, assessments, imposts, remittances and penalties have been properly calculated by Highwood, in all material respects. Highwood is not in default in filing any returns or reports covering any Canadian federal, provincial, municipal or local taxes, assessments or other imposts in respect of its income, business or property and Highwood has complied with all withholding, collection, remittance and other obligations under any applicable taxing statute;
- (j) no consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Governmental Entity is required by or with respect to Highwood in connection with the execution and delivery of this Agreement by Highwood, the performance of its obligations hereunder or the consummation by Highwood of the transactions contemplated hereby, other than: (a) the approval of the Amalgamation and the Amalgamation Agreement by the shareholders of Highwood and the approval of the Amalgamation by the Registrar under the ABCA; (b) such registrations and other actions required under Applicable Securities Laws as are contemplated by this Agreement and registrations and applications required as a result of the formation of a new corporation on the Amalgamation; (c) any filings with the Director; and (d) any other consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Highwood or prevent or materially impair Highwood's ability to perform its obligations hereunder;
- (k) since September 30, 2018, other than as disclosed in writing to Predator prior to the date hereof, there has not been any Material Adverse Change in the condition or operation of Highwood or in Highwood's assets, liabilities or financial condition;
- (l) the Highwood Financial Statements, are true and correct and present fairly, in all material respects, the financial position of Highwood as at such dates and the results of its operations and changes in financial position for the periods indicated in the said statements, and have been prepared in accordance with IFRS applied on a basis consistent with that of prior periods;
- (m) there is no pending disagreement between Highwood and its auditors which could materially affect the financial situation of Highwood;

- (n) other than amounts owing to reimburse individuals for business expenses incurred in the ordinary course of business and approved on behalf of Highwood and remuneration for services in the ordinary course of business, Highwood is not indebted to:
 - (i) any director, officer, employee or shareholder of Highwood; or
 - (ii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsection 4.1(n)(i) hereof;
- (o) none of those Persons referred to in subsection 4.1(n) hereof is indebted to Highwood;
- (p) to the best of the knowledge of Highwood (after due inquiry), none of the proposed directors or officers of Amalco is or has ever been subject to prior regulatory, criminal or bankruptcy proceedings in Canada or elsewhere;
- (q) no Person has any written or oral agreement, option, understanding or commitment or any right or privilege capable of becoming an agreement for the purchase, exchange, transfer or other disposition from Highwood of any of its assets;
- (r) the entering into and performance of this Agreement and the transactions contemplated therein by Highwood will not violate:
 - (i) the constating documents or by-laws of Highwood;
 - (ii) any material agreement to which Highwood is a party, and will not give any Person any right to terminate or cancel any material agreement or any right enjoyed by Highwood because of such agreement, and will not result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favour of a third party upon or against Highwood or any of its assets; or
 - (iii) any statute, regulation, by-law, order, judgment or decree by which Highwood is bound, except for such violations which would not have a Material Adverse Effect on the financial condition, assets or affairs of Highwood;
- (s) Highwood is not a party to any loan agreement, credit agreement, hypothec agreement or other agreement of the same nature, other than: (i) as disclosed in the Highwood Financial Statements; or (ii) as may be entered into following the date hereof and disclosed to Predator;
- (t) Highwood has no material liabilities, contingent or otherwise, except those that will be set out in the Information Circular or in the financial statements referred to in subsection 4.1(l) hereof, or, thereafter, incurred in the ordinary course of business, and except in the ordinary course of business, Highwood has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any Person;
- (u) the Information Circular will contain a list of all material contracts, agreements and commitments (whether written or oral) to which Highwood is a party, and all of such material contracts, agreements and commitments are in full force and effect and Highwood is not and will not be at Closing, in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived in writing by the other party to such contract, agreement or commitment;
- (v) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of Highwood under any of the provisions contained in any of the material contracts, commitments or agreements referred to in subsection 4.1(u) hereof;

- (w) the corporate records and minute books of Highwood contain, in all material respects, complete and accurate minutes of all material decisions made at any meeting of the directors and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed;
- (x) Highwood is duly licensed, registered and qualified, in all material respects, and possesses all material certificates, authorizations, permits or licences issued by the appropriate regulatory authorities in the jurisdictions necessary to enable its business to be carried on as now conducted and to enable their respective property and assets to be owned, leased and operated as they are now, and all such licences, registrations and qualifications are in good standing, in all material respects and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on the business of Highwood as now conducted;
- (y) Highwood has conducted and is conducting its business in accordance with good oilfield practices;
- (z) although it does not warrant title, Highwood, after making all due inquiries, does not have reason to believe that Highwood, does not have title to or the exclusive right to explore for, develop and produce oil and gas (for the purposes of this subsection, the foregoing are referred to as the “**Interests**”) and does represent and warrant that the Interests are, to the best of their knowledge, information and belief, after due inquiry, free and clear of adverse claims created by, through or under Highwood, and, to the knowledge of Highwood after due inquiry, Highwood holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold the Interest would not have a material adverse effect upon Highwood;
- (aa) any and all operations of Highwood, and to the best of Highwood’s knowledge, any and all operations by third parties on or in respect of the assets and properties of Highwood, have been conducted in accordance with good oil and gas industry practice and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities except where the failure to so conduct the operations would not have a material adverse effect on Highwood;
- (bb) Highwood has made available to Predator all documents of title and other documents and agreements in its possession affecting the title of Highwood to their oil and gas properties;
- (cc) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on Highwood, or to the extent Highwood has disclosed to Predator, Highwood:
 - (i) has not received any order or directive which relates to any material work, repairs, construction, or capital expenditures on the properties or assets of Highwood, except for;
 - (ii) is not in violation of any applicable federal, provincial, state, territory, municipal or local laws, regulations, orders, government decrees, approvals, licenses, permits or ordinances with respect to environmental, health or safety matters (collectively, “**Environmental Laws**”);
 - (iii) has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iv) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Highwood that have not been remedied;

- (v) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Highwood;
 - (vi) has not failed to report to the proper federal, provincial, state, territorial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign, the occurrence of any event which is required to be so reported by any Environmental Law;
 - (vii) holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, Highwood has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made Highwood as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitations or conditions, revoked, withdrawn or terminated; and
 - (viii) Highwood has not received any notice of, or been prosecuted for an offence alleging, material non compliance with any Environmental Laws, and Highwood has not settled any allegation of material non compliance short of prosecution;
- (dd) except to the extent Highwood has disclosed to Predator, to the knowledge of Highwood (after due inquiry), there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes, which have not been rectified, on any of the properties or assets owned or leased by Highwood or in which it has an interest or over which any of them has control; except for any such spills, releases, deposits or discharges which, in aggregate, would not have a Material Adverse Effect on Highwood;
- (ee) in respect of the assets and properties of Highwood that are operated by Highwood, Highwood holds all valid licenses, permits and similar rights and privileges that are required and necessary under applicable law to operate the assets and properties of Highwood as presently operated except where the failure to hold such licenses, permits and similar rights would not have a Material Adverse Effect on Highwood;
- (ff) Highwood has made available to GLJ prior to the issuance of the GLJ Report, for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any misrepresentation at the time such information was provided. Highwood has no knowledge of a material adverse change in any information provided to GLJ since the date that such information was so provided. Highwood believes that the GLJ Report reasonably presents the quantity and net present values on an aggregate basis of the estimated future net revenues of oil and natural gas reserves attributable to the crude oil, natural gas liquids and natural gas reserves evaluated in such GLJ Report based upon information available at the time the GLJ Report was prepared;
- (gg) to the best of the knowledge, information and belief of Highwood, after due inquiry, the activities and operations of Highwood and all of its directors, officers, agents, employees, affiliates or persons acting on behalf of any such persons, are and have been conducted at all times in compliance with the anti-money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency to which they are subject (collectively, the “**Anti-Money Laundering Laws**”) and no action, suit or proceeding by or before any Governmental Entity or any arbitrator involving Highwood or the Highwood Subsidiaries with respect to the Anti-Money Laundering Laws is, to the knowledge of Highwood, pending or threatened;

- (hh) there does not currently exist any shareholders agreement, pooling agreement, voting trust or other similar type of arrangement in respect of outstanding securities of Highwood;
- (ii) Highwood has provided Predator with copies of all material agreements, other than any agreements in the ordinary course of business, with any officer, director, employee, shareholder or any other Person not dealing at arm's length with Highwood and Highwood has no benefit plans, bonus plans or deferred compensation plans other than as disclosed in the Information Circular;
- (jj) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been, or in respect of the transactions contemplated herein will have been prior to Closing, duly approved by the board of directors of Highwood and this Agreement constitutes a valid and binding obligation of Highwood enforceable against it in accordance with its terms, subject, however, to limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction and no other corporate proceedings on its part are required to authorize this Agreement, other than the Highwood Amalgamation Resolution;
- (kk) the Highwood Board has endorsed the Amalgamation and approved this Agreement, has determined that the Amalgamation and this Agreement are in the best interests of Highwood and its shareholders, and have resolved to recommend approval of the Amalgamation by applicable shareholders;
- (ll) no consents, registrations, approvals, permits, waivers or authorizations are required to be obtained by Highwood from, any governmental or regulatory authority in connection with the execution and delivery of this Agreement by Highwood and the consummation of the transactions contemplated herein by Highwood, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on the consolidated financial condition of Highwood, or could prevent, materially delay or materially burden the transactions contemplated herein;
- (mm) Highwood is not a "reporting issuer" in any jurisdiction of Canada, and is not subject to any regulatory decision or order prohibiting or restricting trading in any of its securities;
- (nn) no cease trade order has been issued against Highwood or the Highwood Shares in any jurisdiction, and to the knowledge of Highwood, no cease trade order is pending or threatened; and
- (oo) Highwood has no reasonable grounds for believing that a creditor of Highwood will be prejudiced by the Amalgamation.

4.2 Representations and Warranties of Predator. Predator represents and warrants as at the date of this Agreement to and in favour of Highwood as follows, and acknowledges that Highwood is relying upon such representations and warranties in connection with the completion of the transactions contemplated herein:

- (a) Predator is a corporation duly incorporated under the laws of the Province of Alberta and is a valid and subsisting corporation under the ABCA and is in compliance, in all material respects, with the requirements of the ABCA and has all requisite power and authority to carry on its business and to carry out the provisions hereof;
- (b) Predator has no subsidiaries;
- (c) Predator is a "capital pool company" (as defined by the rules of the Exchange) and has no assets, other than cash, or operations;
- (d) Predator is a "reporting issuer" as that term is defined under Applicable Securities Laws in each of the provinces of Alberta and British Columbia and is not in default of the requirements of the Applicable Securities Laws in such jurisdictions;

- (e) Predator is in material compliance with all of its obligations as a reporting issuer in the jurisdictions where it is a reporting issuer, including those imposed pursuant to securities legislation, and the regulations and policies thereunder;
- (f) Predator is in material compliance with all of the policies of the Exchange;
- (g) no cease trade order is currently issued against Predator or the Predator Shares in any jurisdiction, and, to the knowledge of Predator, no cease trade order is pending or threatened;
- (h) Predator has the requisite power, capacity and authority to enter into this Agreement on the terms and conditions herein set forth;
- (i) the authorized capital of Predator consists of an unlimited number of common shares, without nominal or par value, of which 10,000,000 Predator Shares are issued and outstanding and all such shares are validly issued and outstanding as fully paid and non-assessable shares;
- (j) no Person has any agreement, option or right, understanding, warrant call, conversion right, commitment or right or privilege of any kind to acquire or capable of becoming an agreement for the allotment, purchase or acquisition of any of the unissued share capital of Highwood, and there are no outstanding securities or instruments which are convertible into or exchangeable for shares of Predator, other than the Predator Options and Predator Agents' Warrants;
- (k) Predator has not incurred any legal liability for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with the transactions contemplated by this Agreement;
- (l) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, or, to the knowledge of Predator, pending or threatened against or relating to Predator or affecting the assets of Predator which if determined adversely to Predator might have or might reasonably be expected to have a Material Adverse Effect on the properties, business, future prospects or the financial condition of Predator and there is no circumstance, matter or thing known to Predator which might give rise to any such proceeding or to any governmental investigation relative to Predator and there is not outstanding against Predator any judgment, decree, injunction, rule or order of any court, government department, commission, agency or arbitrator;
- (m) Predator is a taxable Canadian corporation as defined in the *Income Tax Act* (Canada) and is not liable, in any material respect, for any Canadian federal, provincial, municipal or local taxes, sales tax assessments, withholding taxes, employee or other remittances, or other imposts or penalties due and unpaid at the date hereof in respect of its income, capital, employees, business or property, or for the payment of any tax instalment due in respect of its current taxation year (but not including taxes accruing due) or any previous taxation years, and no such taxes, assessments, imposts, remittances or penalties are required to be reserved against. All such taxes, assessments, imposts, remittances and penalties have been properly calculated by Predator, in all material respects. Predator is not in default in filing any returns or reports covering any Canadian federal, provincial, municipal or local taxes, assessments or other imposts in respect of its income, business or property and Predator has complied with all withholding, collection, remittance and other obligations under any applicable taxing statute;
- (n) the entering into and performance of this Agreement and the transactions contemplated herein by Predator will not violate:
 - (i) the constating documents or by-laws of Predator;
 - (ii) any agreement to which Predator is a party and will not give any Person any right to terminate or cancel any agreement or any right enjoyed by Predator because of such

agreement, and will not result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favour of a third party upon or against Predator or the assets of Predator; or

- (iii) any statute, regulation, by-law, order, judgment, or decree by which Predator is bound, except for such violations which would not have a Material Adverse Effect on the financial condition, assets or affairs of Predator;
- (o) there is no pending disagreement between Predator and its auditors which could materially affect the financial condition of Predator;
- (p) since September 30, 2018, there has not been any Material Adverse Change in the condition or operation of Predator or in its assets, liabilities or financial condition;
- (q) the Predator Financial Statements, are true and correct and present fairly, in all material respects, the financial position of Predator as at such dates and the results of its operations and changes in financial position for the periods indicated in the said statements, and have been prepared in accordance with IFRS applied on a basis consistent with that of prior periods;
- (r) Predator has no material liabilities, contingent or otherwise, except those that will be set out in the Information Circular or in the financial statements referred to in subsection 4.2(q) hereof, or, thereafter, incurred in the ordinary course of business, and except in the ordinary course of business, Predator has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any Person;
- (s) other than amounts owing to reimburse individuals for business expenses pursuant to subsection 8.2(b) of Exchange Policy 2.4, Predator is not indebted to:
 - (i) any director, officer or shareholder of Predator; or
 - (ii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsection 4.2(s)(i) hereof;
- (t) none of those Persons referred to in subsection 4.2(s) hereof is indebted to Predator;
- (u) no Person has any written or oral agreement, option, understanding or commitment or any right or privilege capable of becoming an agreement for the purchase, exchange, transfer or other disposition from Predator of any of its assets;
- (v) the information concerning Predator to be set forth in the Information Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in light of the circumstances in which it will be made, and such information in the Information Circular will constitute full, true and plain disclosure of all material facts relating to the particular matters concerning Predator;
- (w) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been, or in respect of the transactions contemplated herein will have been prior to Closing, duly approved by the board of directors of Predator and this Agreement constitutes a valid and binding obligation of Predator enforceable against it in accordance with its terms, subject, however, to limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction and no other corporate proceedings on its part are required to authorize this Agreement, other than the Predator Amalgamation Resolution;

- (x) the Predator Board entitled to vote have endorsed the Amalgamation and approved this Agreement, have determined that the Amalgamation and this Agreement are in the best interests of Predator and its shareholders, and have resolved to recommend approval of the Amalgamation by applicable shareholders;
- (y) no consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Governmental Entity is required by or with respect to Predator in connection with the execution and delivery of this Agreement by Predator, the performance of its obligations hereunder or the consummation by Predator of the transactions contemplated hereby other than: (a) the approval of the Amalgamation and the Amalgamation Agreement by the shareholders of Predator, the approval of the Amalgamation by the Registrar under the ABCA and the acceptance of the Exchange; (b) such registrations and other actions required under Applicable Securities Laws as are contemplated by this Agreement and registrations and applications required as a result of the formation of a new corporation on the Amalgamation; (c) any filings with the Director; and (d) any other consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Predator or prevent or materially impair Predator's ability to perform its obligations hereunder;
- (z) the documents filed under the Public Record complied in all material respects with Applicable Securities Laws in the jurisdictions they were filed at the time they were filed, and Predator has not filed any confidential filings with any securities authorities which continue to be confidential;
- (aa) there is no "material fact" or "material change" (as those terms are defined in Applicable Securities Laws) in the affairs of Predator that has not been generally disclosed to the public;
- (bb) the Information Circular will contain a list of all material contracts, agreements and commitments (whether written or oral) to which Predator is a party, and all of such material contracts, agreements and commitments are in full force and effect and Predator is and will not be at Closing, in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived in writing by the other party to such contract, agreement or commitment;
- (cc) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of Predator under any of the provisions contained in any of the material contracts, commitments or agreements referred to in subsection 4.2(bb) hereof;
- (dd) the corporate records and minute books of Predator contain, in all material respects, complete and accurate minutes of all material decisions made at any meeting of the directors and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed;
- (ee) to the best of the knowledge of Predator other than the Predator Escrow Agreement, there does not currently exist any shareholders agreement, pooling agreement, voting trust or other similar type of arrangement in respect of outstanding securities of Predator;
- (ff) Predator has filed all forms, reports, documents and information required to be filed by it, whether pursuant to Applicable Securities Laws or otherwise, with the applicable securities commissions (the "**Disclosure Documents**"). As of the time the Disclosure Documents were filed with the applicable securities regulators and on SEDAR (System for Electronic Document Analysis and Retrieval) (or, if amended or superseded by a filing prior to the date of this letter agreement, then on the date of such filing): (i) each of the Disclosure Documents complied in all material respects with the requirements of the Applicable Securities Laws in the jurisdictions they were filed; and (ii) none of the Disclosure Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

- (gg) Predator has no reasonable grounds for believing that a creditor of Predator will be prejudiced by the Amalgamation;
- (hh) except as contemplated herein, Predator is not currently a party to any contract, agreement or understanding with any officer, director, employee, shareholder or any other Person not dealing at arm's length with Predator; and
- (ii) Odyssey Trust Company has been duly appointed as the registrar and transfer agent of Predator.

ARTICLE 5
CONDITIONS PRECEDENT AND OTHER MATTERS

5.1 **Mutual Conditions Precedent.** The respective obligations of the parties hereto to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions any of which may be waived by the mutual written consent of such parties without prejudice to their rights to rely on any other or others of such conditions:

- (a) the Amalgamation shall have been approved by the required majority of the votes of the holders of Predator Shares who, being entitled to do so, vote in person or by proxy at the Predator Meeting in accordance with the provisions of the ABCA and Policy 2.4 of the Exchange;
- (b) the Predator Consolidation shall have been approved by the required majority of votes of holders of the Predator Shares who, being entitled to do so, vote in person or by proxy at the Predator meeting in accordance with the provisions of the ABCA;
- (c) the Amalgamation shall have been approved by the required majority of the shareholders of Highwood in accordance with the provisions of the ABCA;
- (d) the securities of Amalco to be issued upon the completion of the Amalgamation pursuant to Section 2.14 hereof, Amalco Shares issuable pursuant to the Amalco Stock Option Plan, Amalco Shares issuable pursuant to the Amalco RSU Plan and any other securities to be issued pursuant to this Agreement, shall have been accepted for listing by the Exchange, subject to Amalco fulfilling the Exchange's usual and ordinary listing requirements;
- (e) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement, including, without limitation the Amalgamation;
- (f) the Exchange shall have granted conditional approval to the Amalgamation as a Qualifying Transaction of Predator;
- (g) all other consents, orders and approvals, including, without limitation, regulatory approvals, required or necessary or desirable for the completion of the transactions provided for in this Agreement, including without limitation the approval of the Registrar under the ABCA for the Amalgamation and the approval of the Exchange, shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably;
- (h) the holders of no more than 5% of all of the issued and outstanding Predator Shares shall have exercised their rights to dissent pursuant to applicable corporate law in respect of the Predator Amalgamation Resolution, or the holders of no more than 5% of all the issued and outstanding Highwood Shares shall have exercised their rights to dissent pursuant to applicable corporate law in respect of the Highwood Amalgamation Resolution;
- (i) there shall be no action taken under any existing Applicable Securities Law, that:

- (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Amalgamation or any other transactions contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein; and
- (j) this Agreement shall not have been terminated in accordance with Section 7.2 hereof.

5.2 Conditions to Obligations of Predator. The obligations of Predator to consummate the transactions contemplated herein is subject to the satisfaction, on or before the Closing Date, of the following conditions:

- (a) each of the acts and undertakings of Highwood to be performed on or before the Closing Date pursuant to the terms of this Agreement shall have been duly performed by Highwood;
- (b) no Material Adverse Change in the business, affairs, financial condition, operations or prospects of Highwood or in respect of the assets of Highwood, shall have occurred between the date hereof and the Closing Date;
- (c) except as affected by the transactions contemplated herein, the representations and warranties of Highwood contained in Section 4.1 hereof shall be true in all material respects on the Closing Date with the same effect as though such representations and warranties had been made at and as of such time, and Predator shall have received an officers' certificate to such effect, dated the Closing Date, of two senior officers of Highwood to the best of their knowledge having made reasonable inquiry;
- (d) each person disclosed in the Information Circular as being a contemplated Principal (as such term is defined in the Exchange policies) of Amalco shall have entered into the TSXV Escrow Agreement;
- (e) the covenants of Highwood contained in Sections 3.1 and 3.2 hereof shall have been complied with in all material respects and Predator shall have received a certificate to such effect, dated the Closing Date, of a senior officer of Highwood;
- (f) Highwood shall have furnished Predator with:
 - (i) a certified copy of the directors' resolutions passed by the board of directors of Highwood approving this Agreement, as well as the consummation of the transactions contemplated therein; and
 - (ii) a certified copy of the Highwood Amalgamation Resolution;
- (g) each of the directors and officers of Highwood as applicable and as required by this Agreement shall have provided their releases, in form satisfactory to Predator, acting reasonably, from the officers and directors of Highwood to Predator and Highwood (to be received in consideration for Highwood providing industry standard releases to each such officers and directors in form satisfactory to Predator, acting reasonably) (the "**Mutual Releases**"), conditional on closing of the Amalgamation and effective on the Effective Date, which Mutual Releases shall contain exceptions for any fraud, gross negligence and wilful misconduct on the part of the officer and director and for amounts or obligations owing to, or which may be owed to, such officers and directors pursuant to indemnity or directors' and officers' insurance; and
- (h) each of the directors and officers of Highwood as applicable and as required by this Agreement shall have provided their resignations and releases (in the case of directors, in a manner that allows for the orderly replacement of directors on the Effective Date) in favour of Predator, conditional on closing of the Amalgamation and effective on the Effective Date, each in form and substance and on such terms as are satisfactory to Predator, acting reasonably.

The conditions described above are for the exclusive benefit of Predator and may be asserted by Predator regardless of the circumstances, or may be waived by Predator in its sole discretion, in whole or in part, at any time and from time to time prior to the Effective Time without prejudice to any other rights which Predator may have hereunder or at law and notwithstanding the approval of this Agreement by the shareholders of Highwood.

5.3 **Conditions to Obligations of Highwood.** The obligations of Highwood to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions:

- (a) each of the acts and undertakings of Predator to be performed on or before the Closing Date pursuant to the terms of this Agreement shall have been duly performed by Predator;
- (b) no Material Adverse Change in the business, affairs, assets or operations of Predator shall have occurred between the date hereof and the Closing Date;
- (c) except as affected by the transactions contemplated herein, the representations and warranties of Predator contained in Section 4.2 hereof shall be true in all material respects on the Closing Date with the same effect as though such representations and warranties had been made at and as of such time and Highwood shall have received an officers' certificate to that effect, dated the Closing Date, of two senior officers of Predator, to the best of their knowledge having made reasonable inquiry;
- (d) the covenants of Predator contained in Sections 3.3 and 3.4 hereof shall have been complied with in all material respects and Highwood shall have received a certificate to such effect, dated the Closing Date, of a senior officer of Predator;
- (e) Predator shall not have any severance, change of control, retention, bonus and other compensation obligations under written contract or otherwise, paid or payable in connection with the Amalgamation;
- (f) each of the directors and officers of Predator shall have provided their releases, in form satisfactory to Highwood, acting reasonably, from the officers and directors of Predator to Highwood and Predator (to be received in consideration for Predator providing industry standard releases to each such officers and directors in form satisfactory to Highwood, acting reasonably) (the "**Mutual Releases**"), conditional on closing of the Amalgamation and effective on the Effective Date, which Mutual Releases shall contain exceptions for any fraud, gross negligence and wilful misconduct on the part of the officer and director and for amounts or obligations owing to, or which may be owed to, such officers and directors pursuant to indemnity or directors' and officers' insurance;
- (g) immediately prior to the Amalgamation after giving effect to the Predator Consolidation, not more than 10,000,000 Predator Shares will be issued and outstanding (excluding the Predator Shares issuable upon the exercise of the outstanding Predator Options and Predator Agents' Warrants), which Predator Shares shall be listed on the Exchange;
- (h) the Amalco Stock Option Plan, the Amalco RSU Plan and the Amalco PSU Plan shall have been approved by the holders of Predator Shares at the Predator Meeting;
- (i) the Predator Consolidation shall have been approved by the holders of Predator Shares at the Predator Meeting;
- (j) as of the Closing Date, Predator shall have not less than \$400,000 in cash after payment of all costs associated with the Amalgamation; and
- (k) Predator shall have furnished Highwood with:

- (i) a certified copy of the resolutions passed by the board of directors of Predator approving this Agreement and the consummation of the transactions contemplated herein;
- (ii) a certified copy of the scrutineers' report from the Predator Meeting;
- (iii) a certified copy of the minutes of the Predator Meeting;
- (iv) a certified copy of the Predator Amalgamation Resolution;
- (v) a conditional approval letter from the Exchange approving the Amalgamation upon the terms hereof, approving the listing of the Amalco Shares issuable pursuant to the Amalgamation and upon exercise of any securities of Amalco convertible or exercisable into Amalco Shares, subject to the Exchange's usual conditions; and
- (vi) a certificate of the Registrar and Transfer Agent outlining the number of issued and outstanding Predator Shares.

The conditions described above are for the exclusive benefit of Highwood and may be asserted by Highwood regardless of the circumstances, or may be waived by Highwood in its sole discretion, in whole or in part, at any time and from time to time prior to the Effective Time without prejudice to any other rights which Highwood may have hereunder or at law and notwithstanding the approval of this Agreement by the shareholders of Highwood.

5.4 **Merger of Conditions.** The conditions set out in Sections 5.1, 5.2 and 5.3 hereof shall be conclusively deemed to have been satisfied, waived or released on the filing by Predator and Highwood of the Articles of Amalgamation with the Director.

5.5 **Exclusive Period/Interim Operations - Highwood.** From and after the execution and delivery of this Agreement by Predator and until the earlier of Termination Date and Effective Date, Highwood will operate its business (the "**Highwood Business**") in the ordinary course and will not, directly or indirectly, through any officer, director, agent, shareholder or otherwise:

- (a) solicit, directly or indirectly, or cause or facilitate anyone else to solicit any offer (conditional or otherwise) or expression of interest to undertake any "Qualifying Transaction" with any other Person;
- (b) participate in any discussions or negotiations regarding, or provide information concerning its assets or the Highwood Business to anyone for or in furtherance of, anything mentioned in Subsection 5.5(a); or
- (c) pursue any sale of all or part of the its assets or make any other material change to the Highwood Business, except as permitted by this Agreement,

provided that the board of directors of Highwood may take such actions at it deems necessary, acting reasonably, to respond to any unsolicited expression of interest for Highwood that the board of directors of Highwood determines, on the advice of its financial and legal advisors, is superior from a financial point of view to the shareholders of Highwood.

5.6 **Exclusive Period/Interim Operations - Predator.** From and after the execution and delivery of this Agreement by Predator and until the earlier of the Termination Date and the Effective Date, Predator will operate its business (the "**Predator Business**") in the ordinary course and will not, directly or indirectly, through any officer, director, agent, shareholder or otherwise,

- (a) solicit, directly or indirectly, or cause or facilitate anyone else to solicit any offer (conditional or otherwise) or expression of interest with respect to any transaction similar in nature to the Amalgamation or which would impede the completion of the Amalgamation, whether directly or indirectly;

- (b) participate in any discussions or negotiations regarding, or provide information concerning its assets or the Predator Business to anyone for or in furtherance of, anything mentioned in Subsection 5.6(a); or
- (c) pursue any sale of all or part of the its assets or make any other material change to the Predator Business, except as permitted by this Agreement,

provided that, the board of directors of Predator may take such actions at it deems necessary, acting reasonably, to respond to any unsolicited expression of interest for Predator that the board of directors of Predator determines, on the advice of its financial and legal advisors, is superior from a financial point of view to the shareholders of Predator.

ARTICLE 6 NOTICES

6.1 **Notices.** All notices, requests and demands hereunder, which may or are required to be given pursuant to any provision of this Agreement, shall be given or made in writing and shall be delivered by courier, telecopier or e-mail as follows:

- (a) to Highwood, addressed to:

900, 222 - 3rd Avenue SW
Calgary, Alberta T2P 0B4
Attention: Chief Executive Officer
e-mail: gmacdonald@highwoodoil.com

with a copy to:

DLA Piper (Canada) LLP
1000, 250 2nd Street SW
Calgary, Alberta T2P 0C1
Attention: Trevor Wong-Chor
email: trevor.wong-chor@dlapiper.com

- (b) to Predator, addressed to:

Predator Blockchain Capital Corp.
Suite 1000, 250 - 2nd Street SW
Calgary, AB
T2P 0C1
Attention: Arif Shivji
email: arif.shivji@shivjicfoservices.com

with a copy to:

Merani Law
Suite 5100, 150 - 6th Avenue S.W.
Calgary, AB
T2P 3Y7
Attention: Ashif Merani
Email: ashif@meranilaw.com

or to such other addresses and telecopier numbers or e-mail addresses as the parties may, from time to time, advise to the other parties hereto by notice in writing. All notices, requests and demands hereunder shall be deemed to

have been received, if delivered by courier on the date of delivery and if sent by telecopier or e-mail, on the next Business Day after the telecopy or e-mail was sent.

ARTICLE 7 AMENDMENT AND TERMINATION OF AGREEMENT

7.1 **Amendment.** This Agreement may, at any time and from time to time before or after the holding of the Predator Meeting, be amended by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of their respective shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the parties hereto;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the parties hereto; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment shall change the provisions hereof regarding the consideration to be received by securityholders of Predator and the securityholders of Highwood without approval by such securityholders of Predator and Highwood given in the same manner as required for the approval of the Amalgamation.

7.2 **Rights of Termination.** If any of the conditions contained in Article 5 hereof shall not be fulfilled or performed by April 30, 2019 or such other date as the parties may agree upon in writing (the “**Termination Date**”), and such condition is contained in:

- (a) Section 5.1 hereof, either of the parties hereto may terminate this Agreement by notice to the other party;
- (b) Section 5.2 hereof, Predator may terminate this Agreement by notice to Highwood;
- (c) Section 5.3 hereof, Highwood may terminate this Agreement by notice to Predator;
- (d) by Predator upon a breach by Highwood of Section 5.5 hereof and Highwood fails to cure such breach within two business days after receipt of written notice thereof from Predator (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Termination Date);
- (e) by Highwood upon a breach by Predator of Section 5.6 hereof and Predator fails to cure such breach within two business days after receipt of written notice thereof from Highwood (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Termination Date).
- (f) subject to Section 8.1, by Highwood if it determines to accept a superior proposal pursuant to Section 5.5; or
- (g) subject to Section 8.1, by Predator, if it determines to accept a superior proposal pursuant to Section 5.6.

If this Agreement is terminated as aforesaid, the party terminating this Agreement shall be released from all obligations under this Agreement, all rights of specific performance against such party shall terminate and, unless such party can show that the condition or conditions the non-performance of which has caused such party to terminate this Agreement were reasonably capable of being performed by the other party, then the other party shall

also be released from all obligations hereunder; and further provided that any of such conditions may be waived in full or in part by either of the parties without prejudice to its rights of termination in the event of the non-fulfilment or non-performance of any other condition.

7.3 **Notice of Unfulfilled Conditions.** If either of Predator or Highwood shall determine at any time prior to the Effective Date that it intends to refuse to consummate the Amalgamation or any of the other transactions contemplated hereby because of any unfulfilled or unperformed condition contained in this Agreement on the part of the other of them to be fulfilled or performed, Predator or Highwood, as the case may be, shall so notify the other of them forthwith upon making such determination in order that such other of them shall have the right and opportunity to take such steps, at its own expense, as may be necessary for the purpose of fulfilling or performing such condition within a reasonable period of time, but in no event later than the Termination Date.

7.4 **Mutual Termination.** This Agreement may, at any time before or after the holding of the Predator Meeting, but no later than the last Business Day immediately preceding the Effective Date, be terminated by mutual agreement of the directors of Predator and Highwood without further action on the part of the shareholders of Predator or Highwood, and, if the Amalgamation does not become effective on or before the Termination Date, either Predator or Highwood may unilaterally terminate this Agreement, which termination will be effective upon a resolution to that effect being passed by its directors and notice thereof being given to the other of them.

ARTICLE 8 GENERAL

8.1 **Disclosure of Alternative Transaction.** In the event either Highwood or Predator shall receive an unsolicited proposal, offer or expression of interest in connection with any of those matters referred to in Section 5.5 or Section 5.6 hereof, as applicable, on or before the Termination Date, the recipient of such proposal, offer or expression of interest shall notify the other party in writing hereto and shall provide details of such proposal, offer or expression of interest to the other party hereto and provide five (5) Business Days for the other party to provide an additional offer which the board of directors, legal counsel and their financial advisors shall review prior to proceeding with any superior proposal.

8.2 **Entire Agreement.** The terms and provisions herein contained and the schedules hereto constitute the entire agreement between the parties and shall supersede all previous oral or written communications including, without limitation, the Letter Agreement.

8.3 **Binding Effect.** This Agreement shall be binding upon and enure to the benefit of the parties hereto.

8.4 **Waiver and Modification.** Highwood and Predator may waive or consent to the modification of, in whole or in part, any inaccuracy or any representation or warranty made to them hereunder or in any document to be delivered pursuant hereto and may waive or consent to the modification of any of the covenants or agreements herein contained for their respective benefit or waive or consent to the modification of any of the obligations of the other parties hereto. Any waiver or consent to the modification of any of the provisions of this Agreement, to be effective, must be in writing executed by the party granting such waiver or consent.

8.5 **Assignment.** No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto.

8.6 **Public Disclosure.** The parties agree to consult with each other before making any public disclosure or announcement of or pertaining to this Agreement, and that any such disclosure or announcement shall be mutually satisfactory to all parties; provided, however, this Section 8.6 shall not apply in the event any party hereto is advised by its counsel that certain disclosures or announcements, which the other parties after reasonable notice will not consent to, are required to be made by Applicable Securities Laws, stock exchange rules or policies of regulatory authorities having jurisdiction.

8.7 **Costs.** All fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Amalgamation is completed.

8.8 **Time of Essence.** Time shall be of the essence of this Agreement.

8.9 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, and the parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

8.10 **Severability.** In the event that any provisions contained in this Agreement shall be declared invalid, illegal or unenforceable by a court or other lawful authority of competent jurisdiction, this Agreement shall continue in force with respect to the enforceable provisions and all rights and remedies accrued under the enforceable provisions shall survive any such declaration, and any non-enforceable provision shall to the extent permitted by-law be replaced by a provision which, being valid, comes closest to the intention underlying the invalid, illegal and unenforceable provision.

8.11 **Confidentiality.** Each of Highwood and Predator will provide such information as to its financial condition, business, properties, title, assets and affairs (including any material contracts) as may reasonably be requested by the other party. Such information whether written, electronic or verbal which:

- (a) has not become generally available to the public; or
- (b) was not available to a party or its representatives on a non-confidential basis before the date of this letter; or
- (c) does not become available to a party or its representatives on a non-confidential basis from a person who is not, to the knowledge of the party or its representatives, otherwise bound by confidentiality obligations to the provider of such information or otherwise prohibited from transmitting the information to the party or its representatives;

will be kept confidential by each party and shall constitute confidential information (the “**confidential information**”). No confidential information may be released to third parties without the written consent of the provider thereof, except that the parties hereto agree that they will not unreasonably withhold such consent to the extent that such confidential information is compelled to be released by legal process or must be released to regulatory bodies and/or included in public documents.

8.12 **Further Assurances.** Each party hereto shall, from time to time, and at all times hereafter, at the request of the other parties hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

8.13 **Survival.** The representations and warranties of each of Highwood and Predator contained herein shall survive the execution and delivery of this Agreement and shall terminate on the earlier of the termination of this Agreement in accordance with its terms and the day after the Effective Date.

[The remainder of this page is left intentionally blank. Signature page to follow.]

8.14 **Counterparts and Facsimile Copies.** This Agreement may be executed in separate counterparts, and all such counterparts when taken together shall constitute one (1) agreement. The parties shall be entitled to rely on delivery of a facsimile or PDF copy of the executed Agreement and such facsimile or PDF copy shall be legally effective to create a valid and binding Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

PREDATOR BLOCKCHAIN CAPITAL CORP.

HIGHWOOD OIL COMPANY LTD.

Per: (signed) "Arif Shivji"
Name: Arif Shivji
Title: President

Per: (signed) "Graydon Glans"
Name: Graydon Glans
Title: Chief Financial Officer

Per: (signed) "Stephen J. Holyoake"
Name: Stephen Holyoake
Title: Director

SCHEDULE "A"
ARTICLES OF AMALGAMATION

(Attached)

This information is collected in accordance with the *Business Corporations Act*. It is required to collect an amalgamated Alberta corporation's articles for the purpose of issuing a certificate of amalgamation. Collection is authorized under s. 33(a) of the *Freedom of Information and Protection of Privacy Act*. Questions about the collection can be directed to Service Alberta Contact Centre staff at cr@gov.ab.ca or 780-427-7013 (toll-free 310-0000 within Alberta).

1. Name of Amalgamated Corporation

HIGHWOOD OIL COMPANY LTD.

2. The classes of shares, and any maximum number of shares that the corporation is authorized to issue:

Schedule "A" Attached

3. Restrictions on share transfers (if any):

None

4. Number, or minimum and maximum number of directors that the corporation may have:

Min: 3 Max: 15

5. If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restrictions

None.

6. Other rules or provisions (if any):

Schedule "B" Attached

7. Amalgamating Corporations

Name	Corporate Access Number
Highwood Oil Company Ltd.	2019414982
Predator Blockchain Capital Corp.	2020945842

8. Authorized Representative/Authorized Signing Authority for the Corporation

Last Name, First Name, Middle Name

Relationship to Corporation

Telephone Number (optional)

Email Address (optional)

Date of submission (yyyy-mm-dd)

Signature

SCHEDULE "A"

THE CLASSES OF SHARES AND ANY MAXIMUM NUMBER OF SHARES THAT THE CORPORATION IS AUTHORIZED TO ISSUE ARE:

1. **An unlimited number of Common shares**, the holders of which are entitled:
 - (a) to receive notice of and to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;
 - (b) to receive any dividend declared by the Corporation on this class of shares; provided that the Corporation shall be entitled to declare dividends on the Preferred shares, or on any of such classes of shares without being obliged to declare any dividends on the Common shares of the Corporation;
 - (c) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution in equal rank with the holders of all other Common shares of the Corporation; and
 - (d) to the rights, privileges and restrictions normally attached to common shares;
2. **An unlimited number of Preferred shares**, which as a class, have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) the Preferred shares may from time to time be issued in one or more series, and the Directors may fix from time to time before such issue the number of Preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions;
 - (b) the Preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation amongst its shareholders for the purpose of winding up its affairs, be entitled to preference over the voting and non-voting Common shares and over any other shares of the Corporation ranking by their terms junior to the Preferred shares of that series. The Preferred shares of any series may also be given such other preferences, not inconsistent with these Articles, over the Common shares and any other such Preferred shares as may be fixed in accordance with clause (2)(a); and
 - (c) if any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred shares are not paid in full, all series of Preferred shares shall participate rateably in respect of accumulated dividends and return of capital.

SCHEDULE "B"

OTHER RULES OR PROVISIONS (IF ANY):

(a) The Directors may, between Annual General Meetings, appoint 1 or more additional Directors of the Corporation to serve until the next Annual General Meeting, but the number of additional Directors shall not at any time exceed $\frac{1}{3}$ of the number of Directors who held office at the expiration of the last Annual Meeting of the Corporation.

(b) Meetings of shareholders of the Corporation shall be held anywhere in Canada that the directors determine.

SCHEDULE "B"
BY-LAWS

(Attached)

BY-LAW NO. 1

A by-law relating generally to
the transaction of the business
and affairs of

HIGHWOOD OIL COMPANY LTD.
(the "Corporation")

DIRECTORS AND OFFICERS

1. **Calling of and Notice of Meetings** - Meetings of the board shall be held at such place and time and on such day as the chairman of the board, president, chief executive officer or a vice-president, if any, or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board was elected.
2. **Quorum** - Subject to the residency requirements contained in the Business Corporations Act, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the number of directors then elected or appointed or such greater or lesser number of directors as the board may from time to time determine.
3. **Place of Meeting** - Meetings of the board may be held in or outside Canada.
4. **Votes to Govern** - At all meetings of the board every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.
5. **Interest of Directors and Officers Generally in Contracts** - No director or officer shall be disqualified by his office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established; provided that the director or officer shall have complied with the provisions of the Business Corporations Act.
6. **Appointment of Officers** - Subject to the articles and any unanimous shareholder agreement, the board may from time to time appoint a president, chief executive officer, chief financial officer, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Business Corporations Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to the provisions of this by-law, an officer may but need not be a director and one person may hold more than one office.
7. **Chairman of the Board** - The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the managing director or to the president; and he shall, subject to the provisions of the Business Corporations Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the

board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

8. **Managing Director** - The board may from time to time appoint a managing director who shall be a resident Canadian and a director. If appointed, he shall have such powers and duties as the board may specify.
9. **President** - If appointed, the president shall be the chief operating officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.
10. **Vice-President** - A vice-president shall have such powers and duties as the board or the chief executive officer may specify.
11. **Secretary** - The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.
12. **Treasurer** - The treasurer shall keep proper accounting records in compliance with the Business Corporations Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.
13. **Agents and Attorneys** - The board shall have the power from time to time to appoint agents and attorneys for the Corporation in or outside Canada with such powers as the board sees fit.
14. **Advance Notice of Nominations of Directors - Nomination of Directors.** Subject only to the Act, the articles of the Corporation and applicable securities laws, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which a special meeting was called was the election of directors, (a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting of shareholders, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act, or (c) by any person (a **"Nominating Shareholder"**) (i) who, at the close of business on the date of the giving of the notice provided for below in this Section 14 and on the record date for the receipt of notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting, or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this Section 14:
 - A. In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given timely notice thereof in proper written form (the **"Notice"**) to the Chief Executive Officer of the Corporation at the principal executive offices of the Corporation, in accordance with this Section 14.

- B. To be timely, a Notice to the Chief Executive Officer of the Corporation must be given:
- i. in the case of an annual general meeting (including an annual and special meeting) of shareholders, not less than 30 days prior to the date of the annual general meeting of shareholders; provided, however, that in the event that the annual general meeting of shareholders is called for at a date that is less than 50 days after the date on which the first public announcement of the date of the annual general meeting was made (the “**Notice Date**”), the Notice must be given by the Nominating Shareholder not later than the close of business on the tenth (10th) day following the Notice Date;
 - ii. in the case of a special meeting (which is not also an annual meeting) of shareholders, called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the date on which the first public announcement of the date of the special meeting of shareholders was made; and
 - iii. in the event shall that any adjournment or postponement of a meeting of shareholders, or the public announcement thereof, occurs, the time period for the giving of Notice shall adjust accordingly and Notice must be given in accordance with Subsections B(i) and (ii) above, taking into account the date of the adjourned or postponed annual general meeting or the Notice Date.
- C. To be in proper written form, the Notice to the Chief Executive Officer of the Corporation must set forth:
- (i) as to each person who the Nominating Shareholder proposes to nominate for election as a director: (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) whether the person is a resident Canadian with the meaning of the Act, (d) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person; (I) as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred), and (II) as of the date of such Notice, and (e) any other information relating to the person that would be required to be disclosed in a dissident’s proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
 - (ii) as to the Nominating Shareholder, any proxy, contract, arrangement, understanding, relationship or any other information relating to such Nominating Shareholder that would be required to be disclosed in a dissident’s proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.
- D. In addition, to be considered timely and in proper written form, a Nominating Shareholder’s Notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such Notice shall be true and correct as of the record date for the meeting.
- E. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that would reasonably be expected to be material to a reasonable shareholder’s understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee.

- F. The Corporation may disclose and make publicly available to the shareholders of the Corporation any of the information requested and provided to the Corporation pursuant to Subsection C(i) and Section E of this By-law No. 1.
- G. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 14; provided, however, that nothing herein shall be deemed to preclude discussions by a shareholder (as distinct from seeking to nominate directors) at a meeting of shareholders, on any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such nomination is invalid due to its non-compliance with this Section 14.
- H. For purposes of this Section 14:
- (i) “**public announcement**” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and
 - (ii) “**applicable securities laws**” means the securities legislation in those provinces and territories of Canada to which the Corporation is subject, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the relevant provinces and territories of Canada.
- I. Notwithstanding any other provisions of the by-laws of the Corporation, Notice given to the Chief Executive Officer of the Corporation pursuant to this Section 14 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Chief Executive Officer of the Corporation for the purposes of such Notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Chief Executive Officer at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is not a business day, or later than 5:00 pm (Calgary time) on a day which is a business day, then such a delivery or electronic communication shall be deemed to have been made on the next following business day.
- J. Notwithstanding any of the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 14.

SHAREHOLDERS' MEETINGS

15. **Quorum** - Subject to the requirements of the Business Corporations Act, a quorum for the transaction of business at any meeting of the shareholders, irrespective of the number of persons actually present at the meeting, shall be one person present in person being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting.

At such time as shares of the Corporation have been sold to the public, the quorum for the transaction of business at any meeting of the shareholders shall consist of at least two persons

holding or representing by proxy not less than five (5%) percent of the outstanding shares of the Corporation entitled to vote at the meeting.

16. **Votes to Govern** - At any meeting of shareholders every question shall, unless otherwise required by the Business Corporations Act, be determined by the majority of votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled a second or casting vote.
17. **Show of Hands** - Subject to the provisions of the Business Corporations Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote per share. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.
18. **Ballots** - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Business Corporations Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

MEETING BY TELEPHONE

19. **Directors and Shareholders** - A director may participate in a meeting of the board or of a committee of the board and a shareholder or any other person entitled to attend a meeting of shareholders may participate in a meeting of shareholders by means of telephone or other communication facilities that permit all persons participating in any such meeting to hear each other.

INDEMNIFICATION

20. **Indemnification of Directors and Officers** - The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives to the extent permitted by the Business Corporations Act.
21. **Indemnity of Others** - Except as otherwise required by the Business Corporations Act and subject to paragraph 20, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted honestly and in good faith with a view to the best interests of the

Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his conduct was lawful.

22. **Right of Indemnity Not Exclusive** - The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to action in his official capacity and as to action in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.
23. **No liability of Directors or Officers for Certain Matters** - To the extent permitted by law, no director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

DIVIDENDS

24. **Dividends** - Subject to the provisions of the Business Corporations Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.
25. **Dividend Cheques** - A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

26. **Non-Receipt of Cheques** - In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnify, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.
27. **Unclaimed Dividends** - Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

BANKING ARRANGEMENTS, CONTRACTS, DIVISIONS ETC.

28. **Banking Arrangements** - The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.
29. **Execution of Instruments** - Contracts, documents or instruments in writing requiring execution by the Corporation may be signed by any one officer or director and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and/or counterpart signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds (including specifically, but without limitation, transfers and assignments of shares, warrants, bonds, debentures or other securities), share certificates, warrants, bonds, debentures and other securities or security instruments of the Corporation and all paper writings.
30. **Voting Rights in Other Bodies Corporate** - The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.
31. **Creation and Consolidation of Divisions** - The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.
32. **Name of Division** - Any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business, enter into contracts, sign cheques and other documents of any kind and do all acts and things under such name. Any such contracts, cheque or document shall be binding upon the Corporation as if it had been entered into or signed in the name of the Corporation.

33. **Officers of Divisions** - From time to time the board or a person designated by the board, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or a person designated by the board, may remove at its or his pleasure any officer so appointed, without prejudice to such officers rights under any employment contract. Officers of divisions or their sub-units shall not, as such be officers of the Corporation.

MISCELLANEOUS

34. **Invalidity of Any Provisions of This By-Law** - The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.
35. **Share Certificates, Acknowledgements and Direct Registration System** - Every shareholder of one or more shares of the Corporation shall be entitled, at the shareholder's option, to a share certificate that complies with the Business Corporations Act, or a non-transferable written acknowledgment that complies with the Business Corporations Act of the shareholder's right to obtain a share certificate from the Corporation in respect of the shares of the Corporation held by such shareholder in an amount as shown on the securities register of the Corporation. Any share certificate issued pursuant to this paragraph 35 shall be in such form as the board may from time to time approve, shall be signed by the Corporation in accordance with paragraph 29 and need not be under the corporate seal.

For greater certainty, but subject to paragraph 35, a registered shareholder may have his holdings of shares of the Corporation evidenced by an electronic, book-based, direct registration system or other non-certificated entry or position on the register of shareholders to be kept by the Corporation in place of a physical share certificate pursuant to such a registration system that may be adopted by the Corporation, in conjunction with its transfer agent. This by-law shall be read such that a registered holder of shares of the Corporation pursuant to any such electronic, book-based, direct registration service or other noncertificated entry or position shall be entitled to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of shares evidenced by a physical share certificate. The Corporation and its transfer agent may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a share registration system by electronic, book-based, direct registration system or other non-certificated means.

36. **Omissions and Errors** - The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any shareholder, director, officer or auditor or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

INTERPRETATION

37. **Interpretation** - In this by-law and all other by-laws of the Corporation words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include an individual, partnership, association, body corporate, executor, administrator or legal representative and any number or aggregate of persons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival; "board" shall mean the board of directors of the Corporation; "Business Corporations Act" shall mean the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended from time to time, or any Act that may hereafter be substituted therefor; "meeting of shareholders" shall mean and include an annual meeting of shareholders and a special meeting of shareholders of the Corporation; and

“signing officers” means any person authorized to sign on behalf of the Corporation pursuant to paragraph 29.

CONSENTED to by the directors of the Corporation on the ___ day of _____, 20__.

President

CONFIRMED by the voting shareholders of the Corporation on the ___ day of _____, 20__.

President

**APPENDIX L
CHANGE OF AUDITOR PACKAGE**

See attached

Predator Blockchain Capital Corp.
Suite #1000, 250 – 2nd Street SW
Calgary, AB T2P 0C1

NOTICE OF CHANGE OF AUDITOR
Pursuant to National Instrument 51-102 (Part 4.11)

TO: Collins Barrow Calgary LLP
AND TO: RSM Alberta LLP
AND TO: Alberta Securities Commission
British Columbia Securities Commission

It is proposed that Predator Blockchain Capital Corp. (the "Corporation") will change its auditor from Collins Barrow Calgary LLP (the "Former Auditor") to RSM Alberta LLP (the "Successor Auditor") effective as of December 19, 2018. Following the acquisition of substantially all the assets of the Former Auditor by the Successor Auditor (and related entities), the Former Auditor has resigned as auditor of the Corporation effective December 19, 2018.

The Corporation further reports there were no reservations in the Former Auditor's reports on the Corporation's financial statements for the period commencing at the beginning of the Corporation's two most recently completed financial years and ending on the date of resignation of the Former Auditor.

There are no reportable events including disagreements, consultations, or unresolved issues as defined in National Instrument 51-102 (Part 4.11) between the Corporation and the Former Auditor.

The change of the auditor and the recommendation to appoint the Successor Auditor was approved by the Audit Committee and the Board of Directors of the Corporation.

DATED this 19th day of December, 2018.

Predator Blockchain Capital Corp.



Per: _____
Arif Shivji

President, Chief Executive Officer, Chief Financial Officer, and Director



Collins Barrow Calgary LLP
1400 First Alberta Place
777 – 8th Avenue SW
Calgary, Alberta T2P 3R5
Canada
T: (403.298.1500)
F: (403.298.5814)
Email: calgary@collinsbarrow.com
www.collinsbarrow.com

December 19, 2018

Alberta Securities Commission
4th Floor, 300 – 5th Avenue SW
Calgary, Alberta
T2P 3C4

British Columbia Securities Commission
PO Box 10142, Pacific Centre
5th Floor, 701 West Georgia Street
Vancouver, BC
V7Y 1L2

Dear Sirs/Mesdames:

**Re: Predator Blockchain Capital Corp.
Change of Auditors
Notice Pursuant to Part 4.11 of National Instrument 51-102**

As required by National Instrument 51-102, we have reviewed the information contained in the Notice of Change of Auditor (the "Notice") for Predator Blockchain Capital Corp. dated December 19, 2018 and, based upon our firm's knowledge of the circumstances, we do not disagree with the information contained in the Notice.

Yours very truly,

Collins Barrow Calgary LLP

Collins Barrow Calgary LLP



December 19, 2018

Alberta Securities Commission
4th Floor, 300 – 5th Street SW
Calgary, AB T2P 3C4
Attention: Executive Director

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Financial Reporting

Dear Sirs/Mesdames:

Re: Notice of Change of Auditors for Predator Blockchain Capital Corp. (the “Company”)

In accordance with National Instrument 51-102, we have read the Company’s Notice of Change of Auditor dated December 19, 2018 and are in agreement with the statements contained in such Notice.

Yours very truly,

RSM Alberta LLP

RSM Alberta LLP

RSM Alberta LLP

777 8 Avenue SW
Suite 1400
Calgary, AB T2P 3R5

T +1 403 298 1500
F +1 403 298 5814

rsmcanada.com

