

FORM 49
[RULE 13.19]

CLERK'S STAMP

COURT FILE NUMBER 2401-05179
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY
IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, as amended
AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
ALPHABOW ENERGY LTD.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT:

BENNETT JONES LLP
Barristers and Solicitors
4500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: Keely Cameron / Sarah Aaron
Telephone No.: 403-298-3324/3177
Fax No.: 403-265-7219
Client File No.: 88323.6

AFFIDAVIT OF QUAN LI

Sworn on October 21, 2024

I, Ben Li/Quan Li, of Calgary, Alberta, SWEAR AND SAY THAT:

I. INTRODUCTION

1. I was the Interim Chief Executive Officer (“CEO”) of AlphaBow Energy Ltd. (“AlphaBow” or the “Applicant”) from December 7, 2020, to April 12, 2022. As such, I

have personal knowledge of the matters deposed to in this Affidavit except where stated as based on information and belief, in which case I verily believe the statements to be true.

II. RELIEF REQUESTED

2. This Affidavit is made in support of the Application filed by AlphaBow on October 21, 2024 (the “**GOR Application**”), seeking a declaration that the royalty agreements entered into between AlphaBow and Advance Drilling Ltd. (“**Advance**”) are not an interest in land but rather resulted in a security interest.

III. THE EVENTS LEADING UP TO AND RESULTING IN THE FIRST GORR AGREEMENT

3. I understand that AlphaBow entered into a Master Drilling and Completion Contract dated November 23, 2018, with Advance wherein Advance agreed to perform work and services to develop, drill and complete various petroleum and/or natural gas wells for AlphaBow (the “**Master Contract**”). Concurrently, AlphaBow and Advance entered into a Gross Overriding Royalty Agreement dated November 23, 2018 (the “**GORR**”) as security for payment of the services. Pursuant to Schedule A of the GORR, the GORR was to apply to:

... those lands of the Royalty Payor which the Royalty Payor has wells, or plans to drill a well or wells upon pursuant to the Services Agreement and shall apply to the Royalty Payor’s Working Interest, but only insofar as rights to the same are granted by the Title Documents including the Royalty Payor’s Working Interest in the Chigwell property and Green Glades, Amisk and Choice properties within the Provost area as described in the attached mineral land property reports.

4. I have not seen any mineral land property reports attached to any copy of the GORR. Attached hereto as **Exhibit “A”** is a true copy of the GORR.
5. Advance and AlphaBow further entered into a standstill agreement, dated November 23, 2018, in which Advance agreed that the royalty payments would not be payable until such time that (a) unpaid amounts were due and owing by AlphaBow to Advance; and (b) Advance served a notice (the “**Royalty Notice**”) invoking payment of the royalties (the “**Standstill Agreement**”). Attached hereto as **Exhibit “B”** is a true copy of the Standstill Agreement.

6. On December 10, 2019, Advance agreed to the removal of the Choice properties from the GORR (the “**Release Agreement**”), as production at the Choice properties was declining and became a liability asset. Attached hereto as **Exhibit “C”** is a true copy of the Release Agreement.
7. In 2020, the COVID-19 Pandemic hit which impeded the ability of AlphaBow to meet its payment obligations to Advance and other creditors.
8. On November 12, 2020, Advance issued the Royalty Notice and agreed to temporarily reduce the rate of payment on the GORR from 17.5% to 2.5%, with a maximum monthly payment of \$50,000 (the “**Activation and Rate Reduction Letter**”). The previous CEO of AlphaBow signed the Activation and Rate Reduction Letter on November 16, 2020. Attached hereto as **Exhibit “D”** is a true copy of the Activation and Rate Reduction Letter.
9. On December 3, 2020, Advance notified AlphaBow of AlphaBow’s default of its payment obligations, and, on June 16, 2021, Advance ultimately filed a Statement of Claim in the Court of Queen’s Bench, as it then was, under Action No. 2101-07914 seeking judgment for all outstanding payments in the amount of \$12,944,339.21. On October 28, 2021, AlphaBow consented to judgment in favour of Advance in the amount of \$12,944,339.21, plus \$7,865 in costs. Attached hereto as **Exhibits “E” and “F”** is a true copy of the Statement of Claim in Action No. 2101-07914 and the Consent Judgment, respectively.

IV. MY INVOLVEMENT WITH ALPHABOW AND ADVANCE

10. On December 7, 2020, I was appointed as Interim CEO of AlphaBow.
11. As Interim CEO, I was responsible for maintaining AlphaBow’s oil and gas production, mitigating the “garnishing” risk and resolve emergency situations, reducing general and administrative costs, managing key creditors’ demands of payment, working closely with regulatory and ensuring AlphaBow continued as a going concern.
12. As part of my responsibilities, I worked with Advance regarding the GORR and the outstanding payments.

13. In my initial interactions with Jiang Fan from Advance, Mr. Fan took an aggressive approach in seeking to dispense of the temporary payment reduction agreed upon in the Activation and Rate Reduction Letter.
14. In particular, Mr. Fan informed me that if AlphaBow was unwilling to pay, Advance would take steps to garnish AlphaBow's bank accounts, which would effectively render AlphaBow insolvent.
15. Through my discussions with Mr. Fan, and subsequently with another representative from Advance, I emphasized that AlphaBow could not exclusively pay Advance as it had other creditors to which it was responsible. I emphasized that:
 - (a) AlphaBow needed to remain as a going concern,
 - (b) AlphaBow had obligations far beyond the three areas, Chigwell, Green Glades and Amisk (the "**Impacted Assets**"), to which the GORR related;
 - (c) taking steps to push AlphaBow into bankruptcy would have detrimental effects on its partners, municipalities and the Alberta Energy Regulator ("**AER**"); and
 - (d) AlphaBow had obligations that ranked higher in priority than the GORR, such as the Orphan Well Association levy.
16. I further offered to Advance that, in place of financial reimbursement, AlphaBow could give a portion of the Impacted Assets to Advance. Advance declined, advising that it was not an oil company and did not want a permanent investment in the Impacted Assets, but simply wanted their money back. Further, Advance confirmed that, ultimately, any royalty agreement would relate to the Chigwell, Green Glades and Amisk assets, and that upon repayment of the outstanding debt, AlphaBow would be released from any agreement. Attached as **Exhibit "G"** is a copy of communication from Mr. Fan to Tianzhou Deng regarding AlphaBow that Mr. Fan forwarded to me in May 2021.
17. Advance was unwilling to back down from its position, and continued to reiterate that it would garnish AlphaBow's bank accounts and push AlphaBow into bankruptcy if

AlphaBow did not comply with Advance's efforts to repay the debts resulting from Advance's services pursuant to the Master Contract.

V. **ALPHABOW ENTERS INTO A SUBSEQUENT ROYALTY AGREEMENT WITH THE UNDERSTANDING THE TERMS WERE THE SAME**

18. I felt that AlphaBow had no option but to proceed with Advance's demands to increase the percentage payment of the GORR from 2.5%. On this basis, I discussed with AlphaBow that the parties would enter into a new agreement on the same terms, except that would increase the percent back to 17.5%, and then reduce the payment such that it would be on a sliding scale based on the price of oil, to a monthly maximum of \$350,000/month.
19. As a result, Advance provided to AlphaBow a subsequent and similar agreement to the GORR (the "**Royalty Agreement**", collectively with the GORR, the "**GORR Agreements**"). No schedule outlining the assets to which the GORR attached was enclosed with the Royalty Agreement (the "**Schedule**"). Rather, the Schedule simply said, "see attached MPR". However, no mineral property reports were enclosed. Attached hereto as **Exhibit "H"** is a true copy of the Royalty Agreement.
20. I understood that, aside from the percent payment, all the other terms in the agreement would remain the same as the GORR and it would exclusively cover the Impacted Assets. Given the change in the percentage payment, in signing the Royalty Agreement, I understood the following to be the relevant provisions:

SCHEDULE "B"
ATTACHED TO AND FORMING PART OF THE ROYALTY AGREEMENT
MADE AS OF THE 28TH DAY OF OCTOBER, 2021
BETWEEN ALPHABOW ENERGY LTD. AND AND ADVANCE DRILLING LTD..

2015 CAPL OVERRIDING ROYALTY PROCEDURE
ELECTIONS AND AMENDMENTS

2015 CAPL OVERRIDING ROYALTY PROCEDURE ELECTIONS AND AMENDMENTS

1. Effective Date (Clause 1.01): October 28, 2021
 2. Incorporation Of Provisions From 2015 CAPL Operating Procedure (Clause 1.02):
 - (a) *Definition of Market Price: Optional sentence will /will not X apply.*
 - (b) *Clause 18.01 (Confidentiality Requirement): Optional sentence will /will not X apply.*
 3. Quantification Of Overriding Royalty (Subclause 2.01A, if applicable):
 - (a) *For crude oil, Alternate 1 will apply (Specify 1 or 2).*
 - If Alternate 1 applies: 17.5 %.
 - If Alternate 2 applies, divided by _____ and not less than _____ % or more than _____ %.
 - (b) *For all other Petroleum Substances, Alternate 1 will apply (Specify 1 or 2).*
 - If Alternate 1 applies: 17.5 %.
 - If Alternate 2 applies: (i) _____ %; and (ii) _____ %.
 4. Definition Of Allocation Ratio (Subclause 2.03A): Alternate 1 will apply (Specify 1 or 2).
21. My requests for meetings with Advance to discuss the Royalty Agreement prior to signing were denied, and I was pressured to sign the Royalty Agreement.
22. On October 28, 2021, I signed the Royalty Agreement. I did not receive any payment or other consideration in contemplation of the Royalty Agreement.
23. As further discussed in our negotiations, Advance provided to me a settlement agreement wherein AlphaBow would agree to pay the indebtedness in installments. Through our discussions, I understood that this agreement was intended to provide flexibility of AlphaBow's payments by requiring payments on a sliding scale.
24. On November 12, 2021, AlphaBow and Advance entered into the settlement agreement (the "**Settlement Agreement**"). The payments to be made under the Settlement Agreement were based on the AlphaBow's oil revenue and the oil prices per barrel. No consideration was given to AlphaBow's gas or natural gas liquid revenues in the calculation. Specifically, the Settlement Agreement provides:

The Payments to Advance

14. AlphaBow shall pay to Advance the Indebtedness in monthly payments (the "Monthly Payment") as follows:
- a. The first Monthly Payment shall be paid on December 30, 2021 and each subsequent Monthly Payment shall be made on or before the 30th day of each month and effected by way of wire transfer, unless otherwise directed by Advance;
 - b. Each Monthly Payment shall be in an amount that is equivalent to the applicable percentage, as defined below, of AlphaBow's actual proceeds of sale of production from Shell Trading Canada (and/or any replacement or additional entity or entities providing similar trading and market services for AlphaBow's production) (such entity or entities, as the case may be, referred to as the "Trading Company") based on its share of working interests in the Royalty Lands (as defined in the 2021 RA) owned by AlphaBow; provided that unless otherwise mutually agreed in writing by the parties or in the case of events in Article 17, each Monthly Payment shall be capped at \$350,000.00:

Realized Sales Price ¹	
(CAD/BBL)	% to Advance
Up to \$60	2.00%
from \$60 to \$70	3.00%
from \$70 to \$80	4.00%
from \$80 to \$90	5.00%
from \$90 to \$100	6.00%
from \$100 to \$110	7.00%
from \$110 to \$120	8.00%
from \$120 and above	17.5%

Attached hereto as **Exhibit "I"** is a true copy of the Settlement Agreement.

25. Beginning in December 2021, and as a result of the Settlement Agreement, AlphaBow provided reports and the associated payments, in accordance with the Settlement Agreement. I understand that since I stepped down from my role at AlphaBow, AlphaBow continued to make these payments until January 2023. Attached hereto as **Exhibit "J"** is a true copy of the Payment Revenue Report and the associated producer statements.
26. At no point was I informed that the Royalty Agreement would continue in perpetuity and shortly after, AlphaBow and Advance entered into a General Security Agreement on December 14, 2021 (the "**GSA**"), which states:

All of the Debtors personal and after acquired personal property interest in all petroleum substances produced sold or recoverable from the Debtor's working interest in the Royalty Lands, as defined in and forming Schedule "A", as may be amended from time to time, to a Royalty Agreement dated October 28, 2021

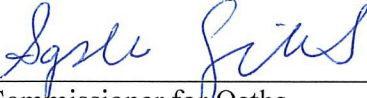
between the Debtor and the Secured Party (the "Royalty Agreement"), including without limitation all crude oil, natural gas, natural gas liquids and other related hydrocarbons and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and coalbed methane at the well head, battery, in pipelines or flowlines, or elsewhere and all wells and tangible equipment used in the production of same (the "Collateral") charged and secured to the Secured Party under and by virtue of the Royalty Agreement to secure the payment of the royalty payable under the Royalty Agreement.

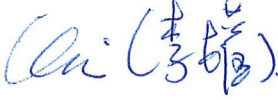
Attached hereto as **Exhibit "K"** is a true copy of the GSA.

27. If I knew of Advance's intention for the Royalty Agreement to continue in perpetuity, I would not have proceeded with the Royalty Agreement, as I would not have allowed any charge to be added to AlphaBow's land or assets. Rather, I would have explored other means, such as through well services and organic production growth, as done in 2021, to maintain the production and keep AlphaBow as a going concern.

VI. CONCLUSION

28. I swear this Affidavit in support of the GORR Application, and for no other or improper purpose.

SWORN BEFORE ME at Calgary, Alberta)
this 21st day of October, 2024.)
)
)
_____)
A Commissioner for Oaths)
in and for the Province of Alberta)

)
_____)
QUAN LI)

Sophie Fiddes
Barrister & Solicitor

This is **Exhibit "A"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

GROSS OVERRIDING ROYALTY AGREEMENT

THIS AGREEMENT made as of November 23, 2018.

BETWEEN:

ALPHABOW ENERGY LTD., a body corporate incorporated pursuant to the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("**Royalty Payor**" or "**ABE**")

- and -

ADVANCE DRILLING LTD., a body corporate incorporated pursuant to the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("**Royalty Owner**" or "**Advance**")

WHEREAS:

- (A) Advance and ABE have agreed to enter into a Master Drilling and Completion Agreement to be dated effective November 23, 2018, as may be amended from time to time (the "**Services Agreement**"); and
- (B) Pursuant to the Services Agreement, Royalty Payor agreed to pay all of Advance's cost, including any drilling costs, plus interest, as described in the Services Agreement to Royalty Owner by certain dates (the "**Payment Dates**") and to better secure the payment of such cost the Parties further agreed to execute and enter into this Gross Overriding Royalty Agreement for the reservation and grant of an Overriding Royalty to satisfy the Unpaid Amounts and encumber the Royalty Payor's Working Interest in the Petroleum Substances and be payable in accordance with this Agreement;

NOW THEREFORE the Parties covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

- 1.1 Capitalized terms used in this Agreement, but not otherwise defined herein, shall have the meaning prescribed to them in the Services Agreement. In this Agreement:
 - (a) "Affiliate" means, in respect of a Party:
 - (i) a Person that Controls the Party;
 - (ii) a Person that is Controlled by the Party; or
 - (iii) a Person that is under common Control with the Party;
 - (b) "Agreement" means this Agreement and the Schedule attached hereto;

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- (c) "Assignment Procedure" means the 1993 CAPL Assignment Procedure which by this reference is adopted and entirely incorporated into this Agreement and will be deemed to apply as if it had been included as a separate Schedule to this Agreement;
- (d) "Business Day" means a day, other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta, on which banks are open generally to conduct commercial business in Calgary, Alberta;
- (e) "Control" means the possession, directly or indirectly, by a Person or group of Persons acting in concert, of the power to direct or cause the direction of the management or policies of another Person, whether through the ownership of voting securities, by contract or otherwise;
- (f) "GOR Percentage" is the amount of 17.5% percent payable on the Royalty Payor's Working Interest in the Petroleum Substances, provided that Royalty Owner, in its sole discretion, may agree to a reduction of the GOR Percentage on any portion or portions of the Royalty Payor's Working Interest in the Petroleum Substances;
- (g) "Government Authority" means any:
 - (i) governmental entity or authority of any nature, including any governmental ministry, agency, branch, department or official, and any court, regulatory board or other tribunal; or
 - (ii) individual or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory or taxing authority or power of any nature, having jurisdiction or power over any Person, property, operation, transaction or other matter or circumstance.
- (h) "Insecurity Event" means any of the following events:
 - (i) Royalty Payor undergoes a change in the management of ABE at the executive level and ABE fails to provide a new management team acceptable to Royalty Owner, acting reasonably, within six (6) months of the date of the change in management;
 - (ii) Royalty Payor is unable to pay its debts as such debts become due or is adjudged or declared, or admits to being, bankrupt or insolvent;
 - (iii) Royalty Payor voluntarily or involuntarily suspends all or substantially all of Royalty Payor's operations;
 - (iii) Royalty Payor commences (or consents to the commencement of) a voluntary case or other proceeding to be adjudicated a voluntary bankrupt or seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency, reorganization or other similar law of any jurisdiction now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or

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other similar official of it, or consents to the filing of a bankruptcy proceeding against it or to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it;

- (iv) an involuntary case or other proceeding is commenced against the Royalty Payor seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 20 Business Days; or
 - (v) an order for relief shall be entered against that the Royalty Payor under or pursuant to Canadian federal or provincial or other bankruptcy laws of any jurisdiction as now or hereafter in effect which prevents or materially prevents the Royalty Payor from satisfying the Unpaid Amounts;
- (i) "Market Price" means:
- (i) in respect of an arm's length *bona fide* sale of Petroleum Substances by Royalty Payor which includes its own Petroleum Substances produced from the Royalty Lands pro rata with Petroleum Substances attributable to the Overriding Royalty (but which may also include Royalty Payor's Petroleum Substances of like quality produced from lands other than the Royalty Lands), the price and terms received by Royalty Payor in connection with such sale; and
 - (ii) otherwise, the price and terms that a reasonably prudent operator would dispose of Petroleum Substances having regard to the relevant circumstances, including current market prices, location and quality differentials, availability of markets and economic conditions affecting the industry generally;
- (j) "Overriding Royalty" means the gross overriding royalty of the GOR Percentage, payable on the Royalty Payor's Working Interest in the Petroleum Substances produced, or deemed to be produced, sold and marketed from the Royalty Lands granted to the Royalty Owner pursuant to Section 2.1 and payable by Royalty Payor to Royalty Owner in accordance with the terms of this Agreement;
- (k) "Payment Default" means the failure by Royalty Payor to pay the Overriding Royalty or any other amounts owing to Royalty Owner under this Agreement within thirty (30) days of receiving notice of such default from Royalty Owner;
- (l) "Party" means a party to this Agreement, and "Parties" means both of the parties to this Agreement;
- (m) "Person" means any individual, body corporate, partnership (limited or general), trust, trustee, executor or similar official, Government Authority or other entity;

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- (n) "Petroleum Substances" means crude oil, natural gas, natural gas liquids and other related hydrocarbons and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and coalbed methane;
- (o) "Point of Sale" means:
 - (i) in respect of Petroleum Substances from the Royalty Lands handled at a battery of Royalty Payor, the lease automatic custody transfer unit of the battery of Royalty Payor from which Petroleum Substances from the Royalty Lands can be made available for sale to an arm's length purchaser, provided that if such Petroleum Substances are handled at more than one battery of Royalty Payor, the "Point of Sale" shall refer to the lease automatic custody transfer unit of the last battery of Royalty Payor at which such Petroleum Substances are handled; and
 - (ii) otherwise, the first point at which Petroleum Substances from the Royalty Lands could ordinarily be made available for sale to an arm's length purchaser;
- (p) "Production Allocation Unit" means the area of the Royalty Lands allocated to a horizontal Royalty Well under the Regulations for production of Petroleum Substances therefrom that may differ from a traditional Spacing Unit;
- (q) "Regulations" means all statutes, laws, rules, orders, judgments, writs, injunctions, decrees, regulations and directions of governmental and other competent authorities in effect from time to time and made by any Governmental Authority having jurisdiction over the Royalty Lands, the Parties or the transaction contemplated herein;
- (r) "Royalty Determination Methodology" has the meaning given to it in Section 2.3(a);
- (s) "Royalty Lands" means those lands described on the attached Schedule "A" in which ABE has a Royalty Payor's Working Interest as and so much thereof as from time to time remain subject to this Agreement, but only insofar as rights to the same are granted by the Title Documents;
- (t) "Royalty Lands Environmental Liabilities" means all losses and liabilities that relate to the Royalty Payor's Working Interest in the Royalty Lands and Petroleum Substances attributed to Royalty Payor's Working Interest in the Royalty Lands or that arise in connection with the ownership thereof or operations pertaining thereto, whether it has arisen in the past, present or future, including liabilities related to or arising from:
 - (i) abandonment and reclamation obligations arising under or pursuant to the Regulations;
 - (ii) past, present or future transportation, storage, use, holding or disposal of toxic or hazardous substances or waste;
 - (iii) leaching, migration, release, spill, escape or emission of toxic or hazardous substances or waste;

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- (iv) obligations to test, monitor, remediate, protect or clean-up the environment;
- (v) the costs of complying with any order or direction of any Government Authority having jurisdiction over the Royalty Lands or Petroleum Substances in the Royalty Lands; or
- (vi) damage, pollution, contamination or other adverse situations pertaining to the environment,

and including liabilities to compensate third Persons for damages and losses resulting from the items described in items (i), (ii), (iii), (iv) and (v) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the environment and, for purposes of this Agreement, "the environment" includes the air, the surface and subsurface of the earth, bodies of water (including rivers, streams, lakes and aquifers) and plant, human and animal life;

- (u) "Royalty Payor Default" means a Payment Default, an Insecurity Event or a breach by Royalty Payor of any other obligation under this Agreement;
- (v) "Royalty Payor's Working Interest" means the right, title and interest of Royalty Payor to explore for, drill for, extract, win, produce, take, save and market Petroleum Substances from the Royalty Lands, commonly referred to as a "working interest" and which, at common law, is an interest in, or in relation to, land characterized as a "profit à prendre";
- (w) "Royalty Well" means any well, vertical or horizontal, from which production is obtained from the Royalty Lands or may be allocated to the Royalty Lands pursuant to a pooling, unit or other arrangement;
- (x) "Services Agreement" has the meaning given to it in the recitals;
- (y) "Spacing Unit" means the area of the Royalty Lands allocated to a Royalty Well under the Regulations for production of Petroleum Substances therefrom;
- (z) "Title Documents" means, collectively, the various leases, reservations, permits, licences and other documents of title relating to the ownership or operation by Royalty Payor of the Petroleum Substances in the Royalty Lands by virtue of which the holder is entitled to explore for, drill for, recover, remove or dispose of Petroleum Substances from the Royalty Lands and all similar documents of title issued pursuant thereto, in replacement thereof or substitution therefor and all other documents relating to Royalty Payor's right, estate and interest in the Royalty Lands or the Petroleum Substances; and
- (aa) "Unpaid Amounts" means all amounts due and owing from time to time under the Services Agreement, including interest payable thereunder, but less any amounts paid to Royalty Owner hereunder as the Overriding Royalty and less the Market Price of all production taken in kind hereunder and less any other payments made by or on behalf of the Royalty Payor to Royalty Owner hereunder or under the Services Agreement.

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1.2 Interpretation

Unless otherwise stated or the context otherwise necessarily requires, in this Agreement:

- (a) the expressions "Article", "Section", "Subsection", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, paragraph and schedule of or to this Agreement;
- (b) words importing the singular shall include the plural and vice versa, and words importing a particular gender shall include all genders;
- (c) all monetary amounts expressed herein or calculated or to be paid pursuant hereto shall be in Canadian dollars unless otherwise specified;
- (d) capitalized words and phrases used herein which are derivatives of words or phrases otherwise defined herein shall have a corresponding meaning;
- (e) any reference in this Agreement to Royalty Lands shall, where provided for in the applicable Title Documents, be construed to include lands pooled or unitized with the Royalty Lands;
- (f) any reference in this Agreement to a Regulation or any governmental consent, approval, permit or other authorization shall be deemed to refer to such Regulation or such governmental consent, approval, permit or other authorization as it has been amended, supplemented, re-enacted, varied, or otherwise modified or replaced from time to time up to the applicable time;
- (g) Any reference in this Agreement to any particular time shall mean the local time in Calgary, Alberta on the relevant day;
- (h) where any payment or calculation is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, that payment or calculation is to be made, or that other action is to be taken, as applicable, on or as of the next following Business Day;
- (i) unless otherwise specified, time periods within or following which any payment is to be made or any act is to be done under this Agreement shall be calculated by excluding the day on which the period commences and including the day on which such period ends;
- (j) the word "including" means including, without limitation and shall not be limited in scope by the items listed after such word;
- (k) words such as "hereof", "herein" or "hereunder" shall mean "of", "in" or "under" this Agreement and not the specific section in which the reference occurs unless expressly otherwise noted;
- (l) the headings contained in this Agreement are intended for convenience of reference only and shall form no part of this Agreement; and

(m) the rule of "contra proferentem" shall not apply to this Agreement.

1.3 Schedule

The following schedule (the "**Schedule**") is attached to, forms part of and is incorporated in this Agreement:

Schedule "A" – Royalty Lands and Title Documents

ARTICLE 2
OVERRIDING ROYALTY

2.1 Grant of Overriding Royalty

Royalty Payor hereby grants and sets over to Royalty Owner, and Royalty Owner hereby acquires from Royalty Payor, the Overriding Royalty, payable on the Royalty Payor's Working Interest in the Petroleum Substances *in situ*, produced, or deemed to be produced, sold and marketed from the Royalty Lands.

2.2 Interest in Land

It is the express intention of the Parties that the Overriding Royalty herein granted by Royalty Payor to Royalty Owner shall be carved out of the Royalty Payor's interest in the Royalty Lands and constitute, and is to be construed as, an interest in land. All terms, covenants, provisions and conditions of this Agreement shall run with and be binding upon the Royalty Lands and the Title Documents, and the estates affected thereby for the duration of this Agreement. In connection therewith, Royalty Payor acknowledges and agrees that Royalty Owner is entitled to register a caveat of its interest against Royalty Payor's Working Interest under the *Land Titles Act (Alberta)* and the equivalent provincial legislation in those jurisdictions where the Royalty Lands are located. In addition, Royalty Payor agrees that from the date of this Agreement it shall record, on its Mineral Property Report for the Royalty Lands, the Overriding Royalty granted under Section 2.1 as an encumbrance against the Royalty Payor's Working Interest in the Royalty Lands.

2.3 Quantification of Overriding Royalty

(a) *Royalty Determination Methodology*: The gross volume of Petroleum Substances comprising the Overriding Royalty shall be determined, on a Royalty Well by Royalty Well basis, as follows:

- (i) the volume of Petroleum Substances as metered, measured or allocated at the Point of Sale shall be allocated back to each Royalty Well on a fair and reasonable basis, consistent with Royalty Payor's customary methodology, taking into account any usage or losses contemplated in Section 2.3(d); and
- (ii) of the Petroleum Substances allocated to a Royalty Well, the Overriding Royalty shall be the GOR Percentage of such Petroleum Substances.

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(b) *Quantification of Overriding Royalty:* Having regard for the Royalty Determination Methodology, the Overriding Royalty shall be quantified as follows:

- (i) if not taken in kind by Royalty Owner pursuant to Section 2.5, the GOR Percentage of the Market Price applicable to Royalty Payor's sale of Petroleum Substances produced from each Royalty Well; and
- (ii) if taken in kind by Royalty Owner pursuant to Section 2.5, the GOR Percentage of the Petroleum Substances produced from each Royalty Well and available at the Point of Sale. For the purposes of calculating the reduction to the Unpaid Amounts, all production taken in kind shall be calculated at the Market Price applicable for such production taken in kind.

(c) *Petroleum Substances Not Taken in Kind:*

For the purposes of Section 2.3(b)(i):

- (i) *Appointment as Agent:* Royalty Payor is appointed as the agent of Royalty Owner for the handling and disposition of the Overriding Royalty share of Petroleum Substances. When in the possession of Royalty Payor, the Petroleum Substances attributable to the Overriding Royalty and the proceeds of sale therefrom will be held as trustee for Royalty Owner and subject to the terms of this Agreement;
- (ii) *Sale of Petroleum Substances:* Royalty Payor shall sell Royalty Owner's Overriding Royalty share of Petroleum Substances at the same price and on the same terms as Royalty Payor receives for its own share of Petroleum Substances attributable to Royalty Payor's Working Interest in the Royalty Lands, on a pro rata basis with its own share of Petroleum Substances, provided that in connection with a sale to an Affiliate, price and terms shall not be less than the Market Price; and

(d) *Deductions:* Royalty Owner's Overriding Royalty share of Petroleum Substances produced from the Royalty Lands will be free and clear of any and all deductions whatsoever.

(e) *Petroleum Substances Used in Operations:* Notwithstanding the Royalty Determination Methodology and the quantification of the Overriding Royalty pursuant to Section 2.3(b), the Overriding Royalty will not include Petroleum Substances that Royalty Payor reasonably uses or loses in Royalty Payor's drilling and production operations for the Royalty Lands or in the delivery of Petroleum Substances to, and handling at or prior to, the Point of Sale. Those drilling and production operations include the proportionate use of Royalty Owner's Overriding Royalty share of Petroleum Substances in batteries, treaters, compressors, separators, satellites and similar equipment serving the Royalty Wells, but do not include the use of Petroleum Substances for any enhanced recovery operations other than enhanced recovery operations on or in respect of the Royalty Lands.

(f) *Effect of Penalty Position:* In the event Royalty Payor, or any permitted assignee of Royalty Payor, is in a penalty position with respect to a Royalty Well for any agreement dated prior to the date of this Agreement, then:

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- (i) where Royalty Payor is not the 100% working interest owner, the following applies:
 - (A) if such agreements contains a provision requiring the non-penalty participant to pay third party royalties of a party in penalty, Royalty Payor agrees to make commercially reasonable efforts to enforce such provisions; or
 - (B) if such agreements do not contain a provision as described in Section 2.3(f)(i)(A), then while Royalty Payor is in a penalty position, Royalty Payor shall not be obliged to pay the Overriding Royalty to Royalty Owner in accordance with this Agreement for such Royalty Well or Wells;
 - (ii) for agreements entered into after the date of this Agreement, Royalty Payor agrees to make commercially reasonable efforts to ensure that such agreements shall require a party or the parties not in a penalty position, as the case may be, to be obliged to pay the Overriding Royalty as contemplated herein, without regard to the discount contemplated in Section 2.3(f)(i)(B), to Royalty Owner as if Royalty Payor was not in a penalty position.
- (g) *Effect of Pooling or Unitization on Calculation:*
- (i) Without the prior consent of Royalty Owner, Royalty Payor may pool the Petroleum Substances attributed to Royalty Payor's Working Interest in the Royalty Lands to the extent required to form a Spacing Unit or Production Allocation Unit, if the pooling allocates production therefrom to the applicable Royalty Lands in the proportion that the surface area of the Royalty Lands placed on the Spacing Unit bears to the total surface area of the Spacing Unit, or, to the length of the well bore underlying the Royalty Lands to the total length of the well bore for a Production Allocation Unit for any horizontal Royalty Well. Royalty Payor shall promptly give notice to Royalty Owner describing the extent to which the Royalty Lands have been pooled and describing the pooled Spacing Unit or Production Allocation Unit.
 - (ii) If Royalty Payor proposes to pool, unitize or otherwise combine any portion of the Royalty Lands with any other lands, other than as provided in Section 2.3(g)(i), Royalty Payor must promptly send notice of that intention to Royalty Owner. Such notice must include the technical justification for that pooling, unitization or combination and the proposed terms thereof, provided that Royalty Payor will not be required to provide interpretive data to Royalty Owner. Unless otherwise required by the Regulations, Royalty Payor will not enter into that pooling, unitization or combination without the prior written consent of Royalty Owner, which consent will not be unreasonably withheld or delayed.
 - (iii) If any portion of the Royalty Lands is pooled, unitized or combined with any other lands pursuant to this Section 2.3(g), Sections 2.3(a) and (b) will be deemed to be amended to calculate the volume of the Overriding Royalty by applying the percentages set forth in that Section to the quantity of Petroleum Substances thereby

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attributed to Royalty Payor's Working Interest in the affected Royalty Lands, but otherwise as contemplated by Sections 2.3(a) and (b).

- (h) *Overriding Royalty Not Subject to Other Burdens:* The Overriding Royalty shall not be subject to any royalties, burdens or other encumbrances payable by Royalty Payor in respect of Royalty Payor's Working Interest in the Royalty Lands or production of Petroleum Substances therefrom.

2.4 Monthly Accounting

- (a) Royalty Payor shall remit to Royalty Owner all funds accruing to Royalty Owner on account of the Overriding Royalty on or before **fifteen (15)** Business Days after the first day of the calendar month following the calendar month in which those funds were received by Royalty Payor. For clarity, if a purchaser of any Overriding Royalty share of Petroleum Substances fails to pay Royalty Payor when due in breach of its obligations to do so, Royalty Payor shall make such remittance to Royalty Owner on or before the later of (i) **fifteen (15)** Business Days after the first day of the calendar month following the calendar month in which those funds were due to have been received by Royalty Payor and (ii) **fifteen (15)** Business Days following receipt from purchaser. If Royalty Payor does not receive the amounts payable by such purchaser other than as a result of a breach by such purchaser, Royalty Payor shall make such remittance to Royalty Owner not later than **fifteen (15)** Business Days after the first day of the calendar month following the calendar month in which those funds would normally have been received by Royalty Payor.
- (b) On or about the date of remittance pursuant to Section 2.4(a), Royalty Payor will provide Royalty Owner with a statement in written or electronic format showing, on a Royalty Well by Royalty Well or unit basis, as applicable, in reasonable detail the manner in which Royalty Payor calculated that payment, including:
 - (i) the quantity and kind of Petroleum Substances attributed to each Royalty Well on the basis of the Royalty Determination Methodology in the immediately preceding calendar month;
 - (ii) the unit sale price for such Petroleum Substances and the Market Price applicable thereto; and
 - (iii) the quantification of the Overriding Royalty payable for such immediately preceding calendar month.

2.5 Right To Take In Kind

- (a) *Revocation of Agency and Election to Take in Kind:* Subject to the terms of the Title Documents, on a minimum of sixty (60) days notice to Royalty Payor, Royalty Owner may revoke the agency established in Section 2.3(c)(i), elect to take delivery of all or a portion of the Petroleum Substances comprising the Overriding Royalty on the Royalty lands, or at the Point(s) of Sale and separately dispose of the same, subject to the following:



- (i) the right may be exercised by Royalty Owner separately for each type of Petroleum Substances, effective at the 1st day of the calendar month next following the minimum sixty (60) day period; and
 - (ii) Royalty Owner shall provide Royalty Payor with evidence, satisfactory to Royalty Payor, acting reasonably, that Royalty Owner has made arrangements to take its share of Petroleum Substances and dispose of them in compliance with the Title Documents; provided that if Royalty Owner does not provide such evidence on a timely basis, or having done so does not actually take such Petroleum Substances, shall be deemed to have failed to take those Petroleum Substances in kind and Section 2.5(c) shall apply. In connection therewith, Royalty Payor will use its commercially reasonable efforts to novate Royalty Owner (in accordance with its share of Petroleum Substances elected to be taken in kind) into Royalty Payor's transportation, marketing and Services Agreement existing as of the time of such election and Royalty Owner shall take such assignment and novation for a sixty (60) day period, (A) unless the Parties agree otherwise, or (B) unless and to the extent, such taking in kind would result in Royalty Payor having unutilized demand or similar charges in marketing and dedication agreements dated prior to the date of this Agreement, that would not have been unutilized had the Petroleum Substances not been taken in kind, in which case such sixty (60) day limit shall not apply.
- (b) *Re-Establishment of Agency:* Insofar as Royalty Owner has elected to revoke the agency established in Section 2.3(c)(i), Royalty Owner may re-establish that agency on a minimum of sixty (60) days' notice to Royalty Payor, effective as of the 1st day of the calendar month next following the minimum sixty (60) day period. This right may be exercised separately for each type of Petroleum Substances. In connection therewith, Royalty Payor may request that Royalty Owner novate Royalty Payor (in accordance with Royalty Owner's share of Petroleum Substances elected to be taken in kind) into the transportation, marketing and Services Agreement utilized by Royalty Owner for the handling and sale of such Petroleum Substances and upon such request Royalty Owner shall cause Royalty Payor to be assigned and novated into such arrangements, as Royalty Payor so elects.
- (c) *Royalty Payor's Obligations:*
- (i) If Royalty Owner takes in kind its Overriding Royalty share of crude oil or liquid products extracted from natural gas at the Point of Sale:
 - (A) Royalty Payor will, at Royalty Payor's cost, remove basic sediment and water from those Petroleum Substances to the extent it does so for its own Petroleum Substances prior to the Point of Sale;
 - (B) Royalty Payor will pay all costs incurred by Royalty Owner related to the delivery of such Petroleum Substances to the Point of Sale; and
 - (C) Royalty Payor will provide Royalty Owner, at Royalty Payor's cost, production tankage capacity for an accumulation of the Overriding Royalty

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share of those Petroleum Substances consistent with Royalty Payor's ordinary course of business, provided that to the extent Royalty Payor incurs a cost incremental to what it would have incurred had Royalty Owner not taken in kind its Overriding Royalty and accumulated its Overriding Royalty share of Petroleum Substances outside of the ordinary course, such incremental cost shall be borne by Royalty Owner. Otherwise, Royalty Payor will deliver the Overriding Royalty share of those Petroleum Substances to Royalty Owner, or Royalty Owner's nominee, at the Point of Sale free and clear of all charges.

- (ii) If Royalty Owner takes its Overriding Royalty share of natural gas handled at the Point of Sale in kind, Royalty Payor will make available that gas to Royalty Owner, or Royalty Owner's nominee, at the outlet of that Point of Sale at Royalty Payor's cost, provided that Royalty Owner shall be responsible for any receipt charges at such Point of Sale.

- (d) *Failure to Take-in Kind:* Unless otherwise agreed to by Royalty Payor and Royalty Owner, if and only if Royalty Owner elects to take its Overriding Royalty share of Petroleum Substances in kind, but fails to (or is deemed to have failed to) take possession thereof at the Point of Sale, Royalty Payor shall take possession of such Petroleum Substances as agent of Royalty Owner and shall dispose of those Petroleum Substances by:
 - (i) selling those Petroleum Substances at Market Price or such lower price as is reasonable in the circumstances, in such case only, to the Point of Sale in an amount not to exceed the reasonable costs and expenses incurred by Royalty Owner to bring those Petroleum Substances to the Point of Sale; or
 - (ii) purchasing those Petroleum Substances for Royalty Payor's own account (or the account of an Affiliate) at Market Price and accounting to Royalty Owner therefor,and in either case Royalty Payor shall be entitled to, and paid, a marketing fee equal to 2.5% of the price received.

2.6 Books, Records and Audit Right

- (a) Royalty Payor shall keep and maintain true and correct books, records and accounts showing credits and charges hereunder and the kind and quantity of Petroleum Substances produced from and attributed to Royalty Payor's Working Interest in the Royalty Lands, the disposition thereof and the price obtained therefor.

- (b) Royalty Owner may, upon reasonable notice to Royalty Payor and at Royalty Owner's own expense, audit the books, records and accounts of Royalty Payor, including production accounting and marketing records, with respect to the production, disposition or sale of the Overriding Royalty within **twenty-four (24)** months next following the end of the applicable calendar year. Royalty Owner will conduct any such audit in accordance with PASC Joint Venture Audit Protocol Bulletin No. 6 (or any replacement therefor).

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- (c) Any statement issued by Royalty Payor to Royalty Owner respecting the calculation of the Overriding Royalty will be presumed to be true and correct **twenty-six (26)** months following the end of the calendar year in which that statement was issued, unless a Party takes written exception thereto and requests an adjustment pursuant to this Section 2.6 within that **twenty-six (26)** month period.
- (d) Any discrepancies disclosed by such audit shall be identified in writing to Royalty Payor within **sixty (60)** days following the completion of such audit, and Royalty Payor shall respond in writing to any claims or discrepancies within **one hundred eighty (180)** days of the receipt of such notice of claim or discrepancies. If Royalty Payor does not respond in such **one hundred eighty (180)** day period, a credit for the disputed amount shall be deemed to be made in favour of Royalty Owner.
- (e) To the extent that Royalty Payor and Royalty Owner are unable to resolve any outstanding claims or discrepancies disclosed by such audit within **thirty (30)** days of the response of Royalty Payor, such audit exceptions shall be resolved by a nationally or internationally recognized firm of chartered accountants as may be selected by Royalty Payor and Royalty Owner, which shall be requested to render its decision without qualifications, other than the usual qualifications relating to engagements of this nature, within **fourteen (14)** days after the dispute is referred to it.
- (f) The decision of the accounting firm shall be final and binding upon the Parties and shall not be subject to appeal by any Party. The costs and expenses of the accounting firm shall be borne by the unsuccessful party to any dispute referred to dispute resolution pursuant to this Section 2.6. Notwithstanding the foregoing audit period limitation, Royalty Owner's audit rights under this Section 2.6 shall be extended for the time period, and in respect of those books, records and accounts, as may be reasonably necessary to permit Royalty Owner to verify refunds or payments to be received or made by it pursuant to this Agreement.

ARTICLE 3
OPERATIONS

3.1 Rateable Production

Royalty Payor will not discriminate against the Petroleum Substances attributed to Royalty Payor's Working Interest in the Royalty Lands in the production and marketing of those Petroleum Substances because those Petroleum Substances are subject to the Overriding Royalty. Where it is the operator of a Royalty Well, Royalty Payor will not produce Petroleum Substances from a Royalty Well inequitably with production from any diagonally or laterally offsetting well operated by Royalty Payor and producing from the same pool as a Royalty Well, insofar as Royalty Payor, or its Affiliate, has an interest in that offsetting well, because the Petroleum Substances are subject to the Overriding Royalty. Where it is the operator of a Royalty Well, Royalty Payor shall not decide to convert any Royalty Wells to another capacity such as injection or disposal because the Royalty Wells are subject to the Overriding Royalty only.

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3.2 Well Information

Royalty Payor will make available to Royalty Owner Royalty Payor's production volume reporting for each Royalty Well through "Data Scavenger" or such other system as provides comparable information and is used in the ordinary course of Royalty Payor's business. In addition, Royalty Payor will notify Royalty Owner with a monthly forecast of new wells to be spud on the Royalty Lands.

3.3 Maintenance of Royalty Lands

Royalty Payor shall, at its own cost, pay for all rentals, royalties, taxes, expenses and charges payable under and in accordance with the provisions of the Title Documents with respect to the Royalty Lands and any wells, facilities or equipment on the Royalty Lands and the production of the Petroleum Substances therefrom. Royalty Payor shall, at its own cost, keep the Royalty Lands and the Title Documents in good standing, provided that nothing shall require Royalty Payor to undertake any operation that would be required to extend, continue or renew a Title Document.

3.4 Surrender and Abandonment of Royalty Lands

- (a) Subject to Section 3.4(c), if Royalty Payor determines *bona fide* and in good faith that the Title Documents pertaining to any portion of the Royalty Lands should be surrendered to the issuer of the Title Documents, or that such Title Documents should be allowed to expire, Royalty Payor shall be entitled to proceed with such surrender, or to allow such expiry to occur, and upon the surrender or expiry becoming effective the Overriding Royalty shall no longer be payable in respect of the applicable Royalty Lands, provided that if within one (1) year of such surrender or expiry Royalty Payor or any Affiliate of Royalty Payor acquires, directly from the Crown or a freehold owner a lease in respect of the Royalty Lands or any portion thereof so terminated, surrendered or allowed to expire, such acquired interest shall be subject to the Overriding Royalty and the terms and conditions of this Agreement, except to the extent such acquisition occurs as a result of an acquisition of a Person holding such right, title, estate or interest where such right, title, estate or interest does not comprise all or substantially all of such Person's assets.
- (b) Subject to Section 3.4(c), Royalty Payor shall have the right, power and authority to abandon any Royalty Well if Royalty Payor determines, *bona fide* and in good faith, that such Royalty Well is not capable of producing Petroleum Substances in paying quantities.
- (c) Notwithstanding anything else in this Agreement, where at any time the Royalty Payor, contemplates any surrender or expiry of any Title Documents or the abandonment of any Royalty Wells through the operation of this Section 3.4, Royalty Payor shall provide Royalty Owner with at least **thirty (30)** days prior written notice of same, and where the total cumulative value of the specific Royalty Lands and Royalty Wells surrendered, expired or abandoned to date, including the specific Royalty Lands and Royalty Wells currently being contemplated to be surrendered, expired or abandoned, as determined by Royalty Owner, acting reasonably, meets or exceeds the Unpaid Amounts, Royalty Payor shall in every instance be required to obtain the prior written consent of Royalty Owner,

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which consent shall be in the sole discretion of Royalty Owner, prior to proceeding with any action under this Section 3.4.

3.5 Control over Development

Except as otherwise provided in this Agreement, Royalty Payor shall at all times act in a manner that is *bona fide* and in good faith, and that is consistent with the obligation of Royalty Payor to pay to Royalty Owner the Overriding Royalty, which Royalty Payor acknowledges herein, including with regards to the development of, and recovery of Petroleum Substances from, the Royalty Lands including, without limitation, making all decisions respecting whether, when and how to drill, complete, equip, produce, suspend, abandon and shut-in wells and whether to elect to convert royalties to working interests. In furtherance thereof, Royalty Payor shall have the right to enter into and amend the Title Documents from time to time on such terms and conditions as it considers appropriate, provided that it acts in accordance with prudent oil and gas industry practices and in good faith in connection therewith.

3.6 Acknowledgement and Indemnity for Operations

- (a) Royalty Payor acknowledges that, except for Royalty Owner's rights and obligations under Section 2.5 with respect to Royalty Owner's right to take its Overriding Royalty share of Petroleum Substances in kind, except as contemplated in Section 3.6(c), Royalty Owner is not liable for any of the duties and obligations arising under the Title Documents.
- (b) Royalty Payor shall indemnify and save Royalty Owner, its Affiliates and each of their respective directors, officers, employees, servants and agents, harmless from and against, all actions, suits, claims, costs, demands and expenses, including legal fees on a solicitor-client basis, which may be brought against any of them or that any of them may suffer, sustain, pay or incur, by reason of any matter or thing arising out of or in any way attributable to the operations carried on, by or on behalf of Royalty Payor on or in connection with Royalty Payor's Working Interest in the Royalty Lands and to the Royalty Lands Environmental Liabilities, except to the extent attributable to Petroleum Substances taken in kind by Royalty Owner.
- (c) Royalty Owner shall indemnify and save Royalty Payor, its Affiliates and each of their respective directors, officers, employees, servants and agents, harmless from and against, all actions, suits, claims, costs, demands and expenses, including legal fees on a solicitor-client basis, which may be brought against any of them or that any of them may suffer, sustain, pay or incur, by reason of any matter or thing arising out of or in any way attributable to Petroleum Substances taken in kind by Royalty Owner.

ARTICLE 4
ROYALTY PAYOR DEFAULT

4.1 Royalty Payor Default

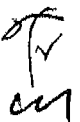
If a Royalty Payor Default has occurred and is continuing, as applicable, Royalty Owner, at its option, shall have the right to:

- (a) invoke payment of the Overriding Royalty in accordance with Section 5.1;
- (b) set-off against any amount unpaid by Royalty Payor, any sums due or accruing to Royalty Payor or any Affiliate of Royalty Payor from Royalty Owner under this Agreement or any other agreement between Royalty Owner and Royalty Payor or any Affiliate of Royalty Payor, whether entered into before or after the date of this Agreement;
- (c) maintain an action or actions for such unpaid amounts on a continuing basis as such amounts are payable, but not paid, as if the obligation to pay such amounts were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort to set-off or counter-claim by Royalty Payor;
- (d) either appoint a new agent to act in the place and stead of Royalty Payor for the purposes of Section 2.3(c)(i), or to appoint itself as agent;
- (e) immediately commence to take in kind all or a portion of the Petroleum Substances comprising the Overriding Royalty in accordance with the provisions of Section 2.5, but without regard to the notice requirements set forth in Section 2.5;
- (f) review the records of Royalty Payor regarding sales of Petroleum Substances produced from Royalty Payor's Working Interest in the Royalty Lands and Royalty Payor shall be required to forthwith provide to Royalty Owner or its agent, such records; or
- (g) treat the Royalty Payor Default as an immediate and automatic assignment to Royalty Owner of the proceeds of sale attributed to the Overriding Royalty share of the Petroleum Substances from the Royalty Lands, and give notice to purchasers of Petroleum Substances from Royalty Payor requiring them to pay the proceeds of sale of the Overriding Royalty share of Petroleum Substances from Royalty Lands directly to the duly appointed agent of Royalty Owner, which may be Royalty Owner, and such purchasers of Petroleum Substances shall be entitled to rely upon notice from Royalty Owner to such effect and to thereafter pay the proceeds of sale accordingly.

ARTICLE 5
TERM AND TERMINATION

5.1 Royalty Term and Invocation

This Agreement shall be effective upon execution with the Overriding Royalty running in perpetuity against the Royalty Lands, but the Overriding Royalty shall only become payable in the event of: (i) a Royalty Payor Default and written notice being given to the Royalty Payor from the Royalty Owner of such whereupon the Overriding Royalty payments shall continue in perpetuity or until termination pursuant to the terms hereof, including Section 5.2; or (ii) upon written notice being given by the Royalty Owner to the Royalty Payor that payment has not been made under the Services Agreement by the Payment Dates and such non-payment under the Services Agreement has not been cured within thirty (30) days of receipt of such written notice whereupon the Overriding Royalty payments shall continue in perpetuity or until termination pursuant to the terms hereof, including Section 5.2.



5.2 Termination after Invocation

If payment of the Overriding Royalty has been invoked in accordance with Section 5.1, this Agreement shall terminate in the event:

- (a) all cumulative funds actually received by Royalty Owner:
 - (i) from the Overriding Royalty (including production taken in kind calculated at the Market Price) under this Agreement; plus
 - (ii) from the Royalty Payor or on behalf of the Royalty Payor in satisfaction of the Unpaid Amounts;equals the Unpaid Amounts (including all interest and costs accrued thereunder); or
- (b) when the Title Documents hereunder terminate in accordance with their terms.

5.3 Termination prior to Invocation

If payment of the Overriding Royalty has not been invoked in accordance with Section 5.1 and all obligations of the Royalty Payor to make all payments under the Services Agreement have been made in accordance with the terms of the Services Agreement such that there are no further obligations of either Party to the other under the Services Agreement, then this Agreement shall terminate. For clarity, this Section 5.2 has no effect if payment of the Overriding Royalty has been invoked in accordance with Section 5.1.

5.4 Termination Direction

If the Unpaid Amounts are paid in accordance with Section 5.2 or termination occurs in accordance with Section 5.3, then upon termination, the Overriding Royalty granted hereunder shall automatically terminate and revert to Royalty Payor and Royalty Owner agrees that it shall take any and all actions as may be required in order to cause the reversion of the Overriding Royalty, including but not limited to discharging any and all registrations which may have been made hereunder and confirming the Royalty Payor may remove the Overriding Royalty from its land records.

5.5 Sale by Royalty Owner

- (a) If payment of the Overriding Royalty has been invoked in accordance with Section 5.1 and:
 - (i) there is an Insecurity Event in respect of the Royalty Payor; or
 - (ii) the Overriding Royalty was invoked due to a Payment Default of the Royalty Payor and the cumulative funds actually received by Royalty Owner under Section 5.2(a) is less than the Unpaid Amount on the date that is 180 days after the date of invocation,

then the Royalty Owner shall have the option, exercisable in its sole discretion, to sell the Overriding Royalty or a portion thereof by way of a broadly marketed sales process conducted by a reputable third party sales agent in the Province of Alberta sufficient to recover the remaining and unpaid portion of the Unpaid Amount plus any and all costs of Royalty Owner to effect such a sale, including marketing and legal fees and reasonable out of pocket expenses ("Sale Costs").

- (b) Such Overriding Royalty or portion thereof sold to a Third Party pursuant to Section 5.5(a) shall continue in perpetuity until the termination of all Title Documents and Sections 5.2, 5.3, 5.4 and 5.5 hereof shall cease to apply with respect to such sold Overriding Royalty.
- (c) The proceeds of a sale pursuant to Section 5.5(a) shall be applied first against any possible tax levied by Government Authority related to such sale, second the Sale Costs and last against the Unpaid Amounts, with any remaining portion paid to Royalty Payor.

ARTICLE 6 ASSIGNMENT

6.1 Assignment by Royalty Owner

If payment of the Overriding Royalty has been invoked under Section 5.1, then Royalty Owner may dispose of, transfer or assign its Overriding Royalty in whole or in part without the prior written consent of Royalty Payor; provided however, that for any disposition, transfer or assignment, in whole or in part, of the Royalty Owner's Overriding Royalty on and after the date of this Agreement, the Royalty Owner grants to Royalty Payor a Right of First Refusal on the Overriding royalty on substantially similar terms to those found in clause 2401(B) and clause 2402 of the 1990 CAPL Operating Procedure as modified for an overriding royalty with the one exception that Royalty Payor shall have the right to respond to any disposition notice within 60 days rather than 30 days. If the Royalty Payor does not exercise its Right of first Refusal, the Royalty Owner shall assign and novate the third party purchaser into this Agreement including the benefit of the Unpaid Amounts effective the effective date of such sale.

6.2 Assignment by Royalty Payor

- (a) Royalty Payor may proceed with a sale, or other disposition of its Royalty Payor's Working Interest in the Petroleum Substances in the Royalty Lands without the prior written consent of the Royalty Owner and such Petroleum Substances shall be free and clear of the Overriding Royalty granted under this Agreement, provided that Royalty Payor has paid all cost under the Services Agreement and/or replaced the sold Royalty Lands with substitute lands which substitute lands will be subject to the terms of this Agreement; or
- (b) If such sale or assignment is to an Affiliate of Royalty Payor or other Third Party and such Affiliate or Third Party agrees to be bound by this Agreement as it relates to the reservation and attachment of the Overriding Royalty in relation to any of the Royalty Lands and Royalty Wells so assigned and also agrees to take a corresponding assignment of this Agreement in relation to such Royalty Lands and Royalty Wells
- (c) Notwithstanding the foregoing in Section 6.2 (a) and (b), the following is permitted:

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- (i) the first priority security interest in the Royalty Lands and Royalty Wells held by its senior secured lender that holds a first priority security interest in the Royalty Lands and Royalty Wells takes assignment of any of the Royalty Lands and Royalty Wells, if applicable which itself is subject to the provisions of this Section 6.2.

6.3 Assignment Procedure to Apply

All assignments and transfers herein shall be conducted in accordance with the Assignment Procedure.

ARTICLE 7
GENERAL

7.1 Further Assurances

Each Party will, from time to time and at all times hereafter, without further consideration, except as otherwise provided in this Agreement, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

7.2 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall, with the exception of the Services Agreement, be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. In the event of conflict between the provisions of this Agreement and the Services Agreement, the provisions of the Services Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the Parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

7.3 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. The Parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

7.4 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

7.5 Time of Essence

Time shall be of the essence in this Agreement.

7.6 Notices

(a) The addresses for service and the fax numbers of the Parties shall be as follows:

Royalty Payor: Alhabow Energy Ltd.

1800, 222-3rd Avenue S. W.
Calgary, Alberta,
T2P 0B4

Attention: Shi, Marshall
Facsimile: (403) _____

Royalty Owner: Advance Drilling Ltd.

1001, 505-3rd Street, S. W.
Calgary, Alberta,
T2P 3E6

Attention: Fan, Jiang
Facsimile: (403) 453-0882 _____

(b) All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (i) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;
- (ii) by facsimile transmission to a Party to the fax number of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted; or
- (iii) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing (the date of mailing being the Business Day immediately prior to the postmarked date of the envelope containing the notice, communication or statement or if the subject envelope has been lost or destroyed, the date of such notice, communication or statement or if undated the date of the transmittal letter accompanying the same).

(c) A Party may from time to time change its address for service or its fax number or both by giving written notice of such change to the other Party.



7.7 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

7.8 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provision of this Agreement, including without limitation, this section, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver.

7.9 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

7.10 Future Disclosures

Royalty Payor agrees to provide Royalty Owner, its personnel and advisors (including, without limitation, any auditors, accountants, legal, engineering and other advisors engaged by Royalty Owner), at the sole risk, cost and expense of Royalty Owner, such additional information as Royalty Owner may hereafter require, and to make available such of Royalty Payor's personnel as may be reasonably required by Royalty Owner, to satisfy any disclosure and other obligations or requirement of Royalty Owner relating to the Overriding Royalty and the Royalty Lands or Royalty Wells now or hereafter arising under any national instrument or local securities commission rule or otherwise, including specifically in relation to engineering reports and data relating to the Overriding Royalty and the Royalty Lands or Royalty Wells.

7.11 Confidentiality

- (a) Each Party entitled to information hereunder or pursuant to this Agreement may use such information for its sole benefit. However, the Parties shall take such measures with respect to operations and internal security as are appropriate in the circumstances to keep confidential from third Persons all such information, except information which the Parties have expressly agreed among themselves to release and information disclosed by a Party:
- (i) when and to the extent required by the Regulations and securities laws applicable to such Party, provided that such Party shall invoke any confidentiality protection permitted by such Regulations and securities laws;
 - (ii) to an Affiliate, provided that if such Affiliate carries on a business that includes the ownership or operation of oil and gas working interests, such Party shall cause such

Affiliate to not use such confidential information in a manner so as to gain a competitive advantage over Royalty Payor or its Affiliates and shall require such of Royalty Owner's Affiliate to maintain the confidential status of the disclosed information in accordance with this Section 7.11, and such Party shall be liable for any loss suffered by the Parties, or any of them, because of the failure of such Affiliate to refrain from using the confidential information in a manner so as to gain a competitive advantage over Royalty Payor or to maintain such information confidential;

- (iii) to a third Person to which such Party has been permitted to assign its interest, or portion of its interest in accordance with the terms and conditions of this Agreement, provided that a binding covenant is obtained from such third Person prior to disclosure which provides, *inter alia*, that none of such information shall be disclosed by it to any other third Person; and
- (iv) to the technical, financial or other professional consultants of such Party which require such information to provide their services to such Party or other financial institution from which such Party is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, *inter alia*, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than advising such Party or providing financing to such Party, as applicable.

Notwithstanding the foregoing, the confidentiality obligation hereunder shall not extend to information to the extent that it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

- (b) Notwithstanding the foregoing, any Party that ceases to be bound by the provisions of this Agreement shall nevertheless remain bound by the provisions of this Section 7.11 with respect to information obtained hereunder or pursuant to this Agreement until and to the extent that such information is in the public domain.

7.12 Limitations Act

The two-year period for seeking a remedial order section 3(1)(a) of the *Limitations Act (Alberta)* for any claim (as defined therein) arising in connection with this Agreement is extended to:

- (a) for claims disclosed by an audit, two (2) years after the time this Agreement permitted that audit to be performed; or
- (b) for all other claims, four (4) years.

(Execution page follows)

7.13 Counterpart Execution


This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile or other electronic means and all the counterparts together constitute the same agreement.

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written.

ALPHABOW ENERGY LTD.

ADVANCE DRILLING LTD.

Per: 
Name: Shi, Marshall
Title: Chief Executive Office

Per: 
Name: Fan, Jiang
Title: President

Handwritten initials/signature

THE FOLLOWING • PAGES COMPRISE SCHEDULE "A" ATTACHED TO AND FORMING PART OF THE GROSS OVERRIDING ROYALTY AGREEMENT MADE AS OF NOVEMBER__, 2018 BETWEEN ALPHABOW ENERGY LTD. AND ADVANCE DRILLING LTD.

ROYALTY LANDS

(See attached.)

Are those lands of the Royalty Payor which the Royalty Payor has wells, or plans to drill a well or wells upon pursuant to the Services Agreement and shall apply to the Royalty Payor's Working Interest, but only insofar as rights to the same are granted by the Title Documents including, including the Royalty Payor's Working Interest in the Chigwell property and the Green Glades, Amisk and Choice properties within the Provost area as described the attached mineral land property reports.



This is **Exhibit "B"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

STANDSTILL AGREEMENT

THIS AGREEMENT made as of November 23, 2018.

BETWEEN:

ALPHABOW ENERGY LTD., a body corporate incorporated pursuant to the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("Royalty Payor" or "ABE")

- and -

ADVANCE DRILLING LTD., a body corporate incorporated pursuant to the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("Royalty Owner" or "Advance")

WHEREAS:

- (A) Advance and ABE have agreed to enter into a Master Drilling and Completion Agreement to be dated effective November 23, 2018, as may be amended from time to time (the "Services Agreement"); and
- (B) In support of payments to be made under the Services Agreement, Royalty Payor and Royalty Owner entered into a Gross Overriding Royalty Agreement dated November 23, 2018 (the "GORR Agreement") for the reservation and grant of an Overriding Royalty to the Royalty Owner to satisfy any unpaid amounts due and owing from time to time under the Services Agreement, a copy of which is attached hereto; and
- (C) The parties further agreed to enter into this Standstill Agreement in respect to invoking payment of the Overriding Royalty pursuant to Article 5 of the GORR Agreement.

NOW THEREFORE in consideration of the payment of \$10.0 from the Royalty Payor to the Royalty Owner, the receipt and sufficiency of which is hereby acknowledged by the Royalty Owner and the terms and conditions set out below, the Parties covenant and agree as follows:

The particulars of the Standstill Agreement are as follows:

1. Unless specifically defined herein, terms used herein shall have the same meaning given to them in the GORR Agreement.
2. From the date hereof, the Overriding Royalty shall not be payable until such time as the Royalty Owner invokes payment by serving notice under Section 5.1 of the GORR Agreement invoking payment of the Overriding Royalty for the Unpaid Amounts (the "Standstill Period"), but following notice being given in accordance with Section 5.1 of the GORR Agreement, the Standstill period will cease and this Standstill Agreement shall no longer be of any force or effect and payment of the Overriding Royalty will commence in accordance with the GORR Agreement upon service of the notice.
3. The GORR Agreement is in effect from the date of its execution in accordance with its terms and conditions and is not amended by this Standstill Agreement.
4. This agreement may be terminated at any time by the mutual agreement of the parties hereto.
5. Any notice delivered in accordance with this agreement shall be delivered in accordance with the Section 7.6 of the GORR Agreement.
6. This agreement shall enure to the benefit of and be binding upon the respective heirs, successors and assigns of the parties hereto.

7. Time shall be of the essence and the performance of each obligation under this agreement and this agreement shall be construed and enforced in accordance with the laws of the Province of Alberta.

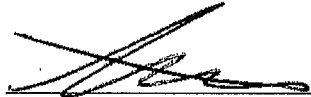
8. This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile or other electronic means and all the counterparts together constitute the same agreement

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written.

ALPHABOW ENERGY LTD.

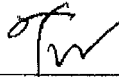
ADVANCE DRILLING LTD.

Per:



Name: Shi, Marshall
Title: Chief Executive Office

Per:



Name: Fan, Jiang
Title: President

This is **Exhibit "C"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

"RELEASE AGREEMENT", dated December 10th, 2019

WHEREAS AlphaBow Energy Ltd. ("AlphaBow") and Advance Drilling Ltd. ("Advance") entered into a Master Drilling and Completion Contract dated November 23, 2018. (the "Master Drilling Agreement");

AND WHEREAS attached as Schedule B to the Master Drilling Agreement is a Gross Overriding Royalty Agreement dated November 23, 2018. (the "GOR Agreement");

AND WHEREAS certain properties, including the Choice Area property (see attached map, "Choice Heavy Oil Area"), are listed on Schedule A, Royalty Lands and Title Documents, to the GOR Agreement;

AND WHEREAS pursuant to Clause 6.2 (a) of the GOR Agreement, AlphaBow as Royalty Payor gives notice of its intention to proceed with a sale of the Petroleum Substances associated with the Choice property to a third party;


AND WHEREAS Clause 6.2 of the GOR Agreement further states that AlphaBow as Royalty Payor may proceed with the disposition of its working interest in the Petroleum Substances free and clear of the Overriding Royalty granted under the GOR Agreement;

This Release Agreement confirms what was agreed to by AlphaBow and Advance (the "Parties") relating to the above.

- The Parties hereby agree that the Choice Area property shall be removed from Schedule A Royalty Lands and Title Documents attached to the GOR Agreement and AlphaBow is permitted to dispose of this property free and clear of the Overriding Royalty;
- The Parties agree that all other clauses and terms and conditions as stated in the Master Drilling Agreement and the GOR Agreement and any schedules attached thereto shall remain in full force and effect unless mutually agreed to in writing by both Parties.

Please indicate acceptance of the foregoing by signing and returning a copy of this letter agreement to me. Thank you.

Yours truly,
~~ALPHABOW ENERGY LTD.~~

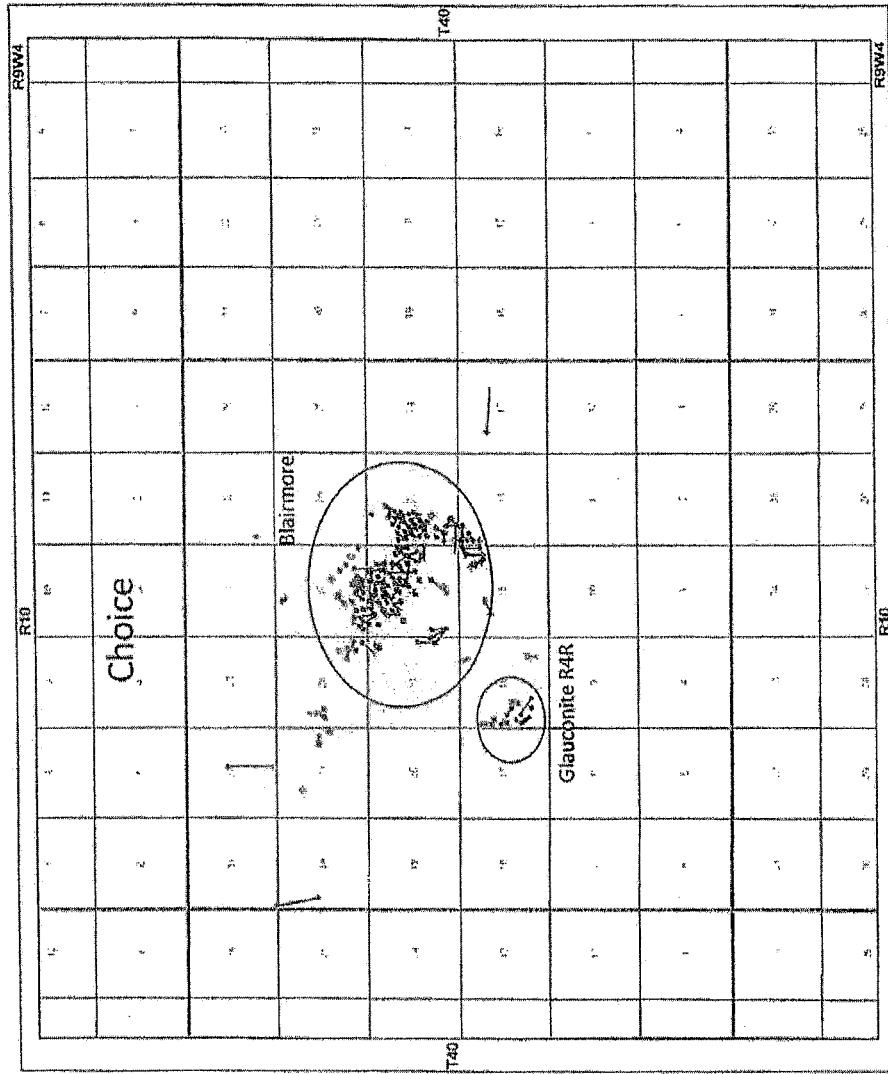

Marshall Shi
CEO

Agreed to and accepted this 10 day of December, 2019.

Per: 
ADVANCE DRILLING LTD.

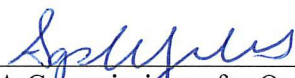


Choice Heavy Oil Area



MS
For

This is **Exhibit "D"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

November 12, 2020

AlphaBow Energy Ltd.
1700, 222 - 3rd Avenue SW
Calgary, AB T2B 0V4

Attention: Shi, Marshall

Dear Sir:

Reference is made to the Master Drilling and Services Agreement dated November 23, 2018 between AlphaBow Energy Ltd. ("ABE") and Advance Drilling Ltd. ("Advance") (the "MDSA") and the Gross Overriding Royalty Agreement dated November 23, 2018 between ABE and Advance (the "GORR"), each as may have been amended, and may be amended, from time to time. All capitalized terms used herein but not defined shall have the meaning given to them in the MDSA and the GORR.

Advance has invoked the GORR in accordance with Article 5 of the GORR and ABE has acknowledged that the royalty payable under the GORR is now payable in accordance with its terms under the GORR. As a result, the first royalty payment was to be made November 5, 2020, however the parties agree the first royalty pay will be calculated effective October 1, 2020 and payable November 30, 2020. Additionally, Advance acknowledges that due to low commodity prices, ABE may not be in a position to pay the GOR Percentage under the GORR. As such, Advance is prepared to temporarily permit and accept payments from ABE under the GORR at the rate of 2.5%, a difference of 1.5% (the "Differential Royalty Rate"). The parties further agree that due to low commodity prices as mentioned above, the 2.5% GOR payable by ABE shall be to a maximum of \$50,000 per month. The royalty payment of 2.5% will continue on a month by month basis until such time as Advance provides notice to ABE that the next royalty payment is to be at the GOR Percentage.

For clarity, this correspondence is not a waiver of the GOR Percentage due and payable on November 30, 2020 and thereafter on a monthly basis. As such, ABE shall provide a royalty statement to Advance each month showing the volumes sold, the amount that would have been paid if ABE was paying at the GOR Percentage and any outstanding royalty payments attributable to the Differential Royalty Rate (the "Outstanding Royalty Amount"). Any Outstanding Royalty Amount attributable to the Differential Royalty Rate shall accrue interest at the rate of the prime rate plus 2% per annum, calculated daily and compounded annually to the date of actual payment of the Outstanding Royalty Amount (This interest payment amount shall replace and not be in addition to the interest payment amount as described in Article 6.2 of the MDSA) For the purposes of calculating interest, interest will apply and begin to accrue on the 15th day of each month for the Outstanding Royalty Amount for that month and Advance will tract separately each monthly Outstanding Royalty Amount until paid in full.


This letter agreement is not intended to, nor will it, amend the GOR Percentage under the GORR, moreover, except as amended hereby, all other terms and conditions of the MDSA, including the revised payment schedule set out in the July 9, 2020 letter to the MDSA, and the GORR remain unchanged and in full force and effect.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

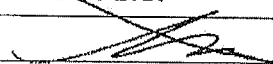


You may accept our offer by returning the enclosed duplicate of this letter, signed as indicated below, by 4:00 p.m. on or before November 16, 2020 or our offer will automatically expire. Please return the enclosed duplicate letter signed as indicated below prior to the above expiry date. This letter may be executed electronically; this letter may be delivered by email, facsimile or other functionally-equivalent electronic means.


Yours truly,

ADVANCE DRILLING LTD.	
Per:	
Name:	Fan, Jiang
Title:	President I have authority to bind the corporation.

Acknowledged, Agreed and Accepted this 16 day of November, 2020.

ALPHABOW ENERGY LTD.	
Per:	
Name:	Shi, Marshall
Title:	Chief Executive Officer I have authority to bind the corporation.

This is **Exhibit "E"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

COURT FILE NUMBER

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF

ADVANCE DRILLING LTD.

DEFENDANT

ALPHABOW ENERGY LTD.

DOCUMENT

STATEMENT OF CLAIM

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

Dentons Canada LLP
15 Floor, 850 – 2 Street SW
Calgary, AB T2P 0R8
Attention: Sean Fairhurst
Phone: 403-268-6803
Fax: 403-268-3100
Email: sean.fairhurst@dentons.com
File Number: 571893-1

Clerk's Stamp

NOTICE TO DEFENDANT

You are being sued. You are a defendant.

Go to the end of this document to see what you can do and when you must do it.

Statement of facts relied on:

1. The Plaintiff, Advance Drilling Ltd. ("**Advance**"), is a corporation duly incorporated in accordance with the laws of the Province of Alberta. Advance carries out, among other things, operations to drill and complete petroleum and natural gas wells within the Province of Alberta.
2. The Defendant, AlphaBow Energy Ltd., formerly known as Sequoia Operating Corporation ("**AlphaBow**"), is a corporation duly incorporated in accordance with the laws of the Province of Alberta. AlphaBow carries out, among other things, the acquisition, development and production of petroleum and natural gas resources within the Province of Alberta.
3. On or around November 23, 2018, AlphaBow entered into three agreements with Advance in relation to certain petroleum and natural gas interests owned by AlphaBow:
 - (a) a Master Drilling and Completion Contract ("**MDCC**") wherein AlphaBow agreed to pay all of Advance's cost, including drilling costs plus interest, to perform operations to drill and complete various petroleum and/or natural gas wells;
 - (b) a Gross Overriding Royalty Agreement ("**GORR**") wherein AlphaBow agreed to grant Advance a gross overriding royalty in the amount of 17.5% on AlphaBow's working interest in the petroleum substances produced, or deemed to be produced, sold and marketed from the Royalty Lands described in the GORR to better secure the payment by AlphaBow of any unpaid amounts due and owing from time to time to Advance under the MDCC; and

- (c) a Standstill Agreement wherein Advance agreed that the gross overriding royalty granted to it by AlphaBow pursuant to the GORR would not be payable until such time that (i) unpaid amounts were due and owing by AlphaBow to Advance under the MCDD; and (ii) Advance served a notice pursuant to section 5.1 of the GORR invoking payment of the gross overriding royalty.

The MDCC

4. On or around July 9, 2020, AlphaBow acknowledged in a letter to Advance that it had not been able to meet its payment obligations under the MDCC and was indebted to Advance in the amount of \$12,470,667.39 (the "**Unpaid Amounts**"). AlphaBow then made the following proposal to repay the Unpaid Amounts, the terms of which were agreed to by Advance (the "**MDCC Letter Agreement**"):
 - (a) If the CAD equivalent Current Month Average ("**CMA**") price of West Texas Intermediate less prior month MSW differential is less than CAD \$60.00 per barrel, AlphaBow would make minimum monthly installment payments of CAD \$50,000 per month;
 - (b) If the CAD equivalent CMA price of West Texas Intermediate less prior month MSW differentially is CAD \$60.00 but less than CAD \$70.00 per barrel, AlphaBow would make minimum monthly installment payments of \$350,000 per month;
 - (c) If the CAD equivalent CMA price of West Texas Intermediate less prior month MSW differential is CAD \$70.00 or greater per barrel, AlphaBow would make minimum monthly installment payments of \$700,000 per month;
 - (d) In the event AlphaBow is able to sell Carbon Offset credits from CO₂ captured at its Joffree facilities (located adjacent to the Nova Chemicals Joffree Ethylene and polyethylene manufacturing facilities) and sequestered within the Chigwell Viking B Pool, AlphaBow will commit 100% of any net proceeds to its balance outstanding with Advance; and
 - (e) In the event AlphaBow closes a transaction to dispose of an interest in any of its assets for proceeds of greater than CAD \$1,000,000, AlphaBow will commit 50% of these proceeds to its balance outstanding with Advance.
5. Pursuant to the terms of the MDCC Letter Agreement, AlphaBow made installment payments to Advance in the amount of CAD \$50,000 for the months of July, August, and September 2020.
6. As of October 2020, and despite repeated demands, AlphaBow has failed, neglected and/or refused to make any further payments in accordance with the terms of the MDCC and the MDCC Letter Agreement.

The GORR

7. On or around November 12, 2020, Advance invoked its right under the GORR to receive a gross overriding royalty to recover the unpaid amounts due and owing under the terms of the MDCC. Due to low commodity prices, Advance made the following proposal to temporarily vary the payment terms provided in the GORR as follows (the "**GORR Letter Agreement**"):
 - (a) the amount of the gross overriding royalty would be reduced from a rate of 17.5% to 2.5% per month;

- (b) the gross overriding royalty payable by AlphaBow to Advance at the rate of 2.5% per month would be to a maximum of \$50,000 per month;
 - (c) the first royalty payment was due November 30, 2020;
 - (d) the terms of the GORR Letter Agreement would continue on a month by month basis until such time as Advance provided notice to AlphaBow that the next royalty payment is to be at the rate of 17.5% as provided in the GORR; and
 - (e) nothing in the GORR Letter Agreement would amend the terms and conditions of the GORR or the MDCC, including the revised payment scheduled set out in the MDCC Letter Agreement.
8. On or around November 16, 2020, AlphaBow agreed to the terms of the GORR Letter Agreement.

Breaches of Contract

9. On or around December 3, 2020, Advance notified AlphaBow, by way of letter, that:
- (a) AlphaBow had failed to make the November 30, 2020 royalty payment pursuant to the terms of the GORR Letter Agreement; and
 - (b) AlphaBow had failed to make the October and November payments under the revised payment scheduled to the MDCC as set out in the MDCC Letter Agreement.
10. Accordingly, within its December 3, 2020 letter, Advance demanded payment of all amounts due and owing by AlphaBow to Advance, being \$13,189,899.17 as of November 30, 2020:
- (a) pursuant to the terms of the GORR and the GORR Letter Agreement;
 - (b) pursuant to the terms of the MDCC and the MDCC Letter Agreement; and
 - (c) all accrued and accruing interest, expenses, and legal costs due and payable under the GORR and the MDCC.
11. On or around May 14, 2021, Advance notified AlphaBow, by way of letter, that:
- (a) it understood based on publically available information that the CAD equivalent CMA price of West Texas Intermediate less prior month MSW differential had reached \$60.00 in March 2021;
 - (b) pursuant to the terms of the MDCC Letter Agreement, AlphaBow was required to pay Advance not less than \$350,000 for the March 2021 payment, which was still outstanding and unpaid as of May 14, 2021;
 - (c) if AlphaBow disagreed that the CAD equivalent CMA price of West Texas Intermediate less prior month MSW differential had reached \$60.00 in March 2021 and refused to pay the \$350,000 due and owing for March 2021, then pursuant to the terms of the GORR Letter Agreement, Advance provided written notice that the temporary reduction in the rate of the gross overriding royalty from 17.5% to 2.5% is no longer in effect, and the next royalty payment due and owing under the GORR shall be at the rate of 17.5%.
12. To date, Advance has not received a response from AlphaBow in relation to its letter of May 14, 2021.

13. Despite repeated demands, AlphaBow has failed, neglected and/or refused to make payments in accordance with, and in breach of, the terms of the MDCC, the MDCC Letter Agreement, the GORR and the GORR Letter Agreement.
14. As of May 31, 2021, AlphaBow is indebted to Advance in the amount of \$ 14,523,038.14.
15. Having obtained the benefit of Advance's services pursuant to the MDCC, but having failed to honour the burdens of the MDCC, the MDCC Letter Agreement, the GORR, and the GORR Letter Agreement, AlphaBow has been unjustly enriched to the detriment of Advance and without any juristic reason, in an amount equal to or exceeding the sum of \$ 14,523,038.14.
16. Pursuant to the MDCC, Alphabow is obligated to pay interest at the rate of 8% annualized on the outstanding sum (the "Contractual Prejudgment Interest Rate), and interest will continue to accrue at the rate of 18% per annum on any amount that is determined to owing by Alphabow to Advance by reason of a judgment of this Honorable Court, calculated daily and compounded annually (the "Contractual Post-judgement Interest Rate").
17. Pursuant to the MDCC, the parties agreed that Alphabow would be responsible for the payment of Advance's reasonable legal fees and costs on a solicitor and own client basis in the event that Advance must pursue its remedies under the MDCC.
18. Pursuant to the MDCC and the GORR, Alphabow has acknowledged and agreed that the gross overriding royalty is an interest in land.
19. Pursuant to the GORR, Alphabow has acknowledged and agreed that its failure to pay the royal payment, or any other amounts owing to Advance under the GORR or the MDCC, shall provide to Advance, at its option, the right to maintain an action for all unpaid amounts on a continuing basis as such amounts are payable, but not paid, as if the obligation to pay such amounts were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort to set-off or counter-claim by AlphaBow.

Remedy sought:

20. Advance claims the following relief as against AlphaBow:
 - (a) Judgment or alternatively, damages in the amount of \$ 14,523,038.14 or such further and other amount as may be awarded by this Honourable Court;
 - (b) The Contractual Pre-judgment Interest Rate on all amounts awarded to Advance up to the date of judgment, or alternatively pre-judgment interest at a commercial rate or in the further alternative, in accordance with the provisions of the *Judgment Interest Act*, RSA 2000, c J-1, as amended and its regulations thereunder;
 - (c) The Contractual Post-judgment Interest Rate on all amounts awarded to Advance from the date of judgment at the Contractual Rate up to the date of payment, or alternatively post-judgment interest at a commercial rate or in the further alternative, in accordance with the provisions of the *Judgment Interest Act*, RSA 2000, c J-1, as amended and its regulations thereunder;
 - (d) A declaration that Advance is entitled to be paid a gross overriding royalty by Alphabow in the amount of 17.5% on AlphaBow's working interest in the petroleum substances produced, or deemed to be produced, sold and marketed from the Royalty Lands described in the GORR and payable in accordance of the terms and conditions of the GORR;

- (e) Costs of this action on a solicitor and own client basis or in the alternative, on such other basis as this Honourable Court may permit; and
- (f) Such further and other relief as counsel may request and this Honourable Court may deem just and appropriate.

NOTICE TO DEFENDANT

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada


2 months if you are served outside Canada

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's address for service.

WARNING

If you do not file and serve a statement of defence or demand for notice within your time period, you risk losing the lawsuit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff against you.

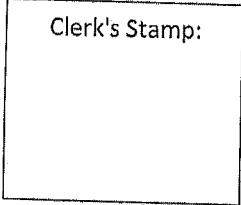
This is **Exhibit "F"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

COURT FILE NUMBER 2101-07914
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF (APPLICANT) ADVANCE DRILLING LTD.
DEFENDANT (RESPONDENT) ALPHABOW ENERGY LTD.
DOCUMENT **CONSENT JUDGMENT**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Dentons Canada LLP
Bankers Court, 15th Floor
850 – 2nd Street SW
Calgary, AB T2P 0R8
Attention: Sean Fairhurst
Ph: (403) 268-6803
Fx: (403) 268-3100
Email: sean.fairhurst@dentons.com
File No.: 571893-1

DATE ON WHICH ORDER WAS PRONOUNCED: OCTOBER 29, 2021
LOCATION OF WHERE ORDER WAS PRONOUNCED: CALGARY ALBERTA VIA WEBEX
NAME OF MASTER WHO MADE THIS ORDER: _____

UPON the Application of the Plaintiff / Applicant, Advance Drilling Ltd. ("**Advance**"), for partial summary judgment; **AND UPON** reading the Notice to Admit Facts filed by Advance on August 11, 2021; **AND UPON** noting that there was no response by the Defendant / Respondent, AlphaBow Energy Ltd. ("**AlphaBow**"), to the Notice to Admit Facts within 20 days of it being served upon AlphaBow; **AND UPON** hearing counsel's submissions made on behalf of Advance; **AND UPON** noting the consent of counsel for AlphaBow;

IT IS HEREBY ORDERED THAT:

1. Advance is awarded judgment against AlphaBow in the sum of \$12,944,339.21.
2. Advance may continue this action against AlphaBow with respect to the amounts to be paid by AlphaBow to Advance in respect of pre-judgment and post-judgment interest.
3. Costs of this application are awarded to Advance in the amount of \$7,865.00 against AlphaBow, payable forthwith pursuant to Schedule C, Column 5 of the Alberta Rules of Court, Alta Reg 124/2010, representing costs for commencement documents, the Notice to Admit Facts, and an uncontested application before a Master.

4. This consent judgment may be entered notwithstanding the facsimile or electronic consent of the parties, which may be in counterpart.

Master of the Court of Queen's Bench of Alberta

Approved as to Form and Content this 28th day of October, 2021

Kenneth P. Reh Law Office, counsel for the Respondent, AlphaBow Energy Ltd.



Per: Kenneth P. Reh

Approved as to Form and Content this 28th day of October, 2021

Dentons Canada LLP, counsel for the Applicant, Advance Drilling Ltd.

Per: Sean Fairhurst

This is **Exhibit "G"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

关于 AlphaBow 的几项工作

邓总，您好！

我是中石油长城钻探加拿大项目部范江，今年 3 月份的时候我去您办公室拜访过您。

我于 4 月上旬回到卡尔加里，主要精力集中在处理 AlphaBow Energy（简称 ABE）的债务问题上了，期间李总、Michael 做了大量的工作，我们相互之间都给予了对方最大可能的支持，目标一致，就是争取维持 ABE 的生存。

但是由于欠款数额巨大，而每月的还款额度较小，公司总部对这笔欠款的关注度日益增加，国内指定了专人监管，要求项目部采取相应的措施，争取早日回收工程款。

根据公司的要求，我们已经请我们在加拿大的律师事务所准备了起诉 ABE 的材料，要求 ABE 履行合同约定的还款计划，尽快支付欠我们公司的所有工程款项约 1400 万加元。起诉材料的草稿已经发给了我们公司总部，同时也发给李总和 Michael 了，公司总部审查完后我们即刻向当地法院提交备案。由于欠款较多，责任重大，我们不得已采取这一措施，请邓总理解。

另外还有两件事请邓总斟酌和支持：

1、Farm In 方案

当地一家公司联系了我们，表示愿意承担 ABE 欠我们公司的所有债务，作为我们放弃在 ABE 矿产上的抵押，同意这家公司 Farm In Chigwell 资产的条件。

我们仔细分析了这个方案，觉得这是目前让 ABE 和我们摆脱困境的好方法：1、ABE 将收到一笔现金，可以用于维持 ABE 的生存和发展；2、ABE 摆脱了我们的债务，可以轻装上阵，集中精力开发其他矿产，或和别的公司开展合作；3、我们长城这边的欠款也有了一定的保障，虽然回款时间可能还是比较长，但是有了新的投资进来，Chigwell 才能得

到进一步开发，产量增加，我们的工程款回收才有希望。

所以为了大家的生存和发展，请邓总斟酌考虑这个方案，如果 ABE 能接受这个方案，我们将会全力配合。

2、矿权抵押协议

我们在和 ABE 签服务合同的时候，签订了一个矿权抵押协议，即 ABE 将其所有矿权的 17.5%抵押给我们，如果 ABE 不能按期支付工程款，我们将通过这 17.5%的矿权对应的销售收入回收工程款。协议签订后，我们在阿尔伯塔省政府相关部门对这 17.5%的矿权进行了抵押登记。

疫情和油价大跌之后，由于 ABE 不能按照合同条款还款，所以从 2020 年 10 月开始，我们采取了通过这 17.5%的矿权对应的销售收入回款的方式收款，但是考虑到 ABE 的实际困难，我们将收款的比例暂时由销售收入的 17.5%降低到销售收入的 2.5%，每月 ABE 还款在 3-5 万加元之间。

这个矿权抵押协议是跟着服务合同一起以文字描述的形式签的，没有按照加拿大正式的矿权协议签，为了保障我们在 ABE 不能继续生存时的权益，我们希望和 ABE 之间按照正式的矿权协议重新签署矿权抵押协议。

重新签署的矿权抵押协议对 ABE 不会产生任何额外的影响，抵押还是 17.5%，收完款之后我们将这 17.5%返还给 ABE。签署这个协议对我们的唯一好处就是 ABE 在不能生存时我们这边还能多少通过转让或出售手里的矿权收回一些成本，弥补我们的损失，对 ABE 没有任何的损失和影响。

另外，重新签署矿权抵押协议时，我们可以将 17.5%的矿权抵押缩小到只抵押在 Chigwell 和 Provost 两块资产上，这样 ABE 就可以自由的处理其他的矿权和资产了。

邓总，我重复一下，重新签这个协议对 ABE 没有任何不利的影响，还可以让 ABE 拥有自由处置其它矿产的权利；这个协议仅仅是帮助我们在 ABE 不能生存时我们能多收回来一点工程款，通过转让或变卖矿

权的方式（如果矿权被清算公司变卖，我们收不到任何款项）。

所以请邓总考虑到我们在 ABE 项目上的付出和一贯的支持，在这个抵押协议重签的事情上予以支持和帮助！

祝好！

范江
2021年5月31日

About the Tasks of AlphaBow

Dear Mr. Deng

I am Jiang FAN, of Canadian Project team of PetroChina Greatwall Drilling, I had the opportunity of visiting you in your office March this year. I have returned to Calgary in early April, my current focus is to resolve AlphaBow Energy ('ABE') debt issues, during the time Mr. Li and Michael have done a lot of work, we both provided maximum support to each other, our aim is the same which is to do our best in caring for the survival of ABE. However, due to the large amount of debt, and that each month payment is relatively small, our headquarters is increasingly concerned about the debt. The headquarters have appointed a supervisor on our case and requested the Calgary team to take action and recover the fund for the services rendered. On request of the headquarters, we have engaged a Canadian law firm and started preparing Statement of Claims against ABE. The Claims request ABE to follow the agreed payment plan, and immediate payment of all non-paid CAD14 million owed. A draft of the Claims has been forwarded to our headquarters, also to Mr. Li and Michael. Post review by the headquarters, we plan to immediately submit to the Court. Due to the large amount owed, I hope you can understand that we have to take this measure.

There is other two matters which I ask for your consideration and support:

1, Farm In plan

A local company has contacted us, they would like to farm in the Chigwell asset and take on the obligation of the debt, on condition that we discharge our lien on ABE's property.

We have studied this plan, and think it could be a good plan to resolve the difficult situation that ABE and us in. 1. ABE will receive a lump sum, which can be used to care for ABE's survival and development. 2. ABE is free from our debt obligations, can move forward easily, or work with others, and focus on developing its other assets. 3. The money owed to Greatwall will also have certain protection, although the full recovery is still a long way, but with new investment, Chigwell can be developed, production increased, and we stand the chance of recovering all the fund for services rendered by Advance.

For the sake of everyone's survival, please consider this plan. If this is acceptable to you, we will co-operate fully with you.

2. About the Agreement on Pledge of ABE Properties

When we signed the service agreement with ABE, we also signed an agreement on the Pledge of Properties, that is ABE will pledge 17.5% of the interest of all of its properties to us, and that if ABE is unable to pay for the services rendered on time, we should own ABE's 17.5% sale of production. Pos signing the agreement, we have registered this 17.5% pledge with relevant department of Alberta government.

During the Covid and the collapse of oil prices, considering ABE was unable to make the payment according to the Agreement, hence starting Oct. 2020, we have reduced the payment from 17.5% of the sale of product down to 2.5%, approximately \$30 to \$50 thousands each month.

The agreement was signed together with the signing of the drilling service agreement, and it was not signed according to the standard Canadian royalty agreement. To protect our interest in case of ABE fail to survive, we hope to sign a royalty agreement with ABE by re-signing a property pledge agreement using standard Canadian royalty agreement terms.

Re-signing a property pledge agreement has no extra impact on ABE, the pledge remains 17.5% of the properties. Upon full recovery of the fund, we plan to return this 17.5% to ABE. The benefit of re-signing this agreement is that Advance stands the chance of recovering at least a portion of the money owed. It should not have any negative impact on ABE.

Additionally, when re-signing the pledge agreement, we can reduce the assignment of 17.5% of property pledge to Chigwell and Provost assets only. This way, ABE is free to sell any other assets.

Mr. Deng, let me repeat, re-signing this agreement has no negative impact on ABE, and it can allow ABE to have rights to freely deposit other properties without the pledge. This only allow Advance to recover some of the money owed in case of ABE fails to survive as a going concern, through transfer rights or selling properties. (In case of ABE CCAA or sale, we will not receive any fund).

In consideration of the Advance's effort and support to ABE to date, I seek your endorsement in the matter of re-signing the pledge agreement.

Yours sincerely,

Jiang FAN

May 31, 2021

This is **Exhibit "H"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

**Sophie Fiddes
Barrister & Solicitor**

ROYALTY AGREEMENT

THIS AGREEMENT made as of the 28th day of October, 2021.

BETWEEN:

ALPHABOW ENERGY LTD. a corporation incorporated pursuant to the laws of the Province of Alberta (hereinafter referred to as "**Royalty Payor**")

- and -

ADVANCE DRILLING LTD. a corporation incorporated pursuant to the laws of the Province of Alberta (hereinafter referred to as "**Royalty Owner**")

WHEREAS the Royalty Payor has agreed to grant to the Royalty Owner the Overriding Royalty herein provided.

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements contained in this Agreement, the parties have agreed as follows:

1. Definitions and Interpretation

In this Agreement, the definitions contained in Clause 1.01 of the Overriding Royalty Procedure and the definitions incorporated by reference in Clause 1.02 of the Overriding Royalty Procedure shall apply, and in addition:

- (a) "**Overriding Royalty Procedure**" means the 2015 Canadian Association of Petroleum Landmen Overriding Royalty Procedure incorporating the elections and amendments set forth and described in Schedule "B" or as otherwise referenced in this Head Agreement; and
- (b) "**Royalty Lands**" means the areal, stratigraphic and substance rights set forth and described in Schedule "A" and so much of those rights as from time to time remain subject to this Agreement and the Title Documents.

2. Schedules

The following Schedules are attached to and incorporated in this Agreement:

- (a) Schedule "A" which sets forth and describes the Title Documents and the Royalty Lands; and
- (b) Schedule "B" which is a description of the elections and amendments in respect of the Overriding Royalty Procedure.

3. Grant of Overriding Royalty

- (a) The Royalty Payor hereby grants to the Royalty Owner an Overriding Royalty in accordance with Clause 2.01 of the Overriding Royalty Procedure payable on the Royalty Payor's share of production based on its working interests in the Royalty Lands owned by the Royalty Payor (the "**Royalty**").
- (b) All royalty payments shall be by wire transfer or as may be otherwise agreed between the Parties.

4. Recording of Royalty

The Royalty will be reflected in the records of the Royalty Payor as follows:

- (a) Upon execution of this Agreement, the Royalty Payor shall show the Royalty as an encumbrance against its working interest on its Mineral Property Report and on all Mineral Lease Summary sheets located on all mineral lease files in respect of the Royalty Lands and on any other records or files of the Royalty Payor that evidence its working interests and encumbrances on the Royalty Lands; and
- (b) Royalty Owner may make registrations pertaining to this Agreement in any public registry that permits registration of this Agreement.

5. Amendments to the Overriding Royalty Procedure

To comply with this Head agreement, the Overriding Royalty Procedure is amended as follows:

- (a) Clause 2.05 A through E are deleted in their entirety, except for the heading "2.05 Royalty Payor's Allowed Deductions". For clarity all payments of the Royalty will be free of any deduction whatsoever with the Royalty Payor paying all cost from the well head to the point of sale.

6. General

(a) **Address for Service**

The address for service of notices hereunder of each of the parties shall be as follows:

ALPHABOW ENERGY LTD.
1700, 222 – 3rd Avenue S.W

Royalty Payor: Calgary, Alberta T2B 0V4

Attention: Michael Lam, President
Email: MichaelLam@alphabowenergy.com

ADVANCE DRILLING LTD.
Suite #1001, 505 – 3rd Street S.W

Royalty Owner: Calgary, Alberta T2P 3E6

Attention: Fan, Jiang
Fax: (403) 453-0882
E-Mail: fanjiang@gwdc.ca

(b) **Further Assurances**

The parties hereto shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

(c) **Governing law**

This Agreement shall be governed by, construed and enforced in accordance with the laws of the Province of Alberta. The parties agree that any disputes related to this Agreement

not first resolved by the procedure set out in this Agreement or the Overriding Royalty Procedure shall be brought only in, and the parties irrevocably attorn to the exclusive jurisdiction of the Courts of the Province of Alberta and courts of appeal therefrom.

(d) **Counterpart Execution**

This Agreement may be executed in counterpart, no one copy of which need be executed by Royalty Payor and Royalty Owner. A valid and binding royalty agreement under the terms and conditions herein shall arise if and when counterpart execution pages are executed and delivered to each other by Royalty Payor and Royalty Owner (including delivery by electronic means such as DocuSign).

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

ALPHABOW ENERGY LTD.

ADVANCE DRILLING LTD.

Per: 

Name: Quan Li
Title: Interim CEO

Per: _____
Name: Fan, Jiang
Title: President

SCHEDULE "A"
ATTACHED TO AND FORMING PART OF THE ROYALTY AGREEMENT
MADE AS OF THE 28TH DAY OF OCTOBER, 2021
BETWEEN ALPHABOW ENERGY LTD. AND ADVANCE DRILLING LTD.

ROYALTY LANDS

(see attached MPR)

SCHEDULE "B"
ATTACHED TO AND FORMING PART OF THE ROYALTY AGREEMENT
MADE AS OF THE 28TH DAY OF OCTOBER, 2021
BETWEEN ALPHABOW ENERGY LTD. AND AND ADVANCE DRILLING LTD..

2015 CAPL OVERRIDING ROYALTY PROCEDURE
ELECTIONS AND AMENDMENTS

2015 CAPL OVERRIDING ROYALTY PROCEDURE ELECTIONS AND AMENDMENTS

1. Effective Date (Clause 1.01): October 28, 2021
2. Incorporation Of Provisions From 2015 CAPL Operating Procedure (Clause 1.02):
 - (a) *Definition of Market Price: Optional sentence will /will not X apply.*
 - (b) *Clause 18.01 (Confidentiality Requirement): Optional sentence will /will not X apply.*
3. Quantification Of Overriding Royalty (Subclause 2.01A, if applicable):
 - (a) *For crude oil, Alternate 1 will apply (Specify 1 or 2).*
 - If Alternate 1 applies: 17.5 %.
 - If Alternate 2 applies, divided by _____ and not less than _____% or more than _____%.
 - (b) *For all other Petroleum Substances, Alternate 1 will apply (Specify 1 or 2).*
 - If Alternate 1 applies: 17.5 %.
 - If Alternate 2 applies: (i) _____%; and (ii) _____%.
4. Definition Of Allocation Ratio (Subclause 2.03A): Alternate 1 will apply (Specify 1 or 2).
5. Royalty Payor's Allowed Deductions (Clause 2.05), if applicable:

[Intentionally deleted as described in the Head Agreement]
6. Royalty Owner's Rights Upon Surrender (Clause 2.09): This optional Clause will X /will not apply.
7. Well Information To Royalty Owner (Paragraph 3.01A(b)): Paragraph (b) will X /will not apply.
8. Dispute Resolution (Clause 8.01): Article 21.00 of the CAPL Operating Procedure will X /will not apply.

AMENDMENTS

- A. The following is hereby added as Paragraph 2.06C:
 - "C. Direct Payment to Royalty Owner

- (a) "Except where the Royalty Owner has elected to take the Overriding Royalty in kind, the Grantor shall ensure that the buyer of the Petroleum Substances under Paragraph 2.04D(a) pays the proceeds of the sale thereof directly to the Royalty Owner instead of as contemplated in Paragraph 2.06B(a). The Parties shall take all commercially reasonable steps in furtherance thereof, including executing such documents as are reasonably required by such purchaser.
- (b) Any proceeds of sale that are received by the Grantor notwithstanding the provisions of Paragraph 2.06C(a) shall be dealt with in accordance with Paragraph 2.06A and 2.06B.
- (c) For clarity the Royalty Owner's obligations set forth in Paragraph 2.06B(b) shall continue unamended notwithstanding this Paragraph."

This is **Exhibit "I"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement ("**Agreement**") is made effective as of November 12, 2021 (the "**Effective Date**"),

BETWEEN:

ALPHABOW ENERGY LTD. ("AlphaBow")

- and -

ADVANCE DRILLING LTD. ("Advance")

WHEREAS:

1. AlphaBow and Advance are parties to a Master Drilling and Completion Contract dated November 23, 2018 (the "**MDCC**") wherein AlphaBow agreed to perform work and services, through subcontractors, to allow AlphaBow to perform operations to develop, drill and complete various petroleum and/or natural gas wells. The MDCC sets out the terms under which AlphaBow was to compensate Advance for the work and services.
2. Concurrent with the execution of the MDCC, Advance and AlphaBow also entered into a Gross Overriding Royalty Agreement dated November 23, 2018 (the "**GORR**"). Under the GORR, AlphaBow agreed to grant Advance a gross overriding royalty in the amount of 17.5% on AlphaBow's working interest in the petroleum substances produced, or deemed to be produced, sold and marketed from the Royalty Lands (as defined in the GORR).
3. Advance and AlphaBow further entered into a Standstill Agreement dated November 23, 2018, in which Advance agreed that the gross overriding royalty granted to it by AlphaBow pursuant to the GORR would not be payable until such time that (i) unpaid amounts were due and owing by AlphaBow to Advance under the MDCC; and (ii) Advance served a notice pursuant to section 5.1 of the GORR, invoking payment of the gross overriding royalty.
4. AlphaBow acknowledged in a letter dated July 9, 2020, to Advance that it had not been able to meet its payment obligations under the MDCC and was then indebted to Advance in the principle amount of \$12,470,667.39. The July 9, 2020 letter contained proposed terms of repayment for AlphaBow's acknowledged indebtedness to Advance. Advance accepted the proposed terms contained in the July 9, 2020 letter (the "**MDCC Letter Agreement**").
5. On November 12, 2020, Advance invoked its right under the GORR to receive a gross overriding royalty to recover the unpaid amounts due and owing under the terms of the MDCC. Advance proposed a temporary variation to the payment terms provided for in the GORR. Specifically, Advance was prepared to reduce the amount of the gross overriding royalty from a rate of 17.5% to 2.5% per month (the "**GORR Letter Agreement**"). AlphaBow accepted the terms of the GORR Letter Agreement on November 16, 2020.
6. On December 3, 2020, Advance notified AlphaBow of AlphaBow's default of its payment obligations under both the MDCC Letter Agreement and the GORR Letter Agreement, and demanded payment of all amounts due and owing under the MDCC, MDCC Letter Agreement, GORR, and GORR Letter Agreement.
7. Despite repeated demands by Advance, AlphaBow has failed to repay the indebtedness to Advance and accordingly, Advance filed a Statement of Claim in Court of Queen's Bench of Alberta, being Action No. 2101-07914 (the "**Action**") seeking judgment in the amount of \$12,944,339.21 together with pre-judgment interest, post-judgment interest and costs.

8. In relation to the Action, Advance filed and served on AlphaBow an application seeking partial summary judgment. Prior to the application being heard, AlphaBow consented to partial judgment in favour of Advance in the amount of \$12,944,339.21 and costs in the amount of \$7,865.00 (the "**Consent Judgment**").
9. AlphaBow as Royalty Payor, and Advance as Royalty Owner, entered into a Royalty Agreement dated October 28, 2021 (the "**2021 RA**").
10. AlphaBow, as Debtor, and Advance, as Creditor, will, in good faith and whilst acting reasonably, negotiate a general security agreement to be effectively dated November 12, 2021 in respect of the Viking B Phase I EOR Project (Alberta Energy Regulator Approval No. 12951) as described in the Offset Project Plan dated April 19, 2021 of AlphaBow, and any and all amendments thereto from time to time (the "EOR Project").
11. The Parties have entered into a new payment schedule and AlphaBow has requested that Advance forbear from exercising its right to enforce the Consent Judgment, or further prosecute the Action. Advance has acceded to AlphaBow's request subject to the terms of this Agreement.
12. Now therefore, in consideration of the mutual covenants set out herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each of the parties hereto,

THE PARTIES HEREBY AGREE AS FOLLOWS:

Acknowledgments

13. The Parties hereby acknowledge and agree that:
 - a. the facts as set out in the Recitals to this Agreement are true and accurate in all respects and the same are expressly incorporated into and form part of this Agreement;
 - b. the MDCC, the MDCC Letter Agreement, the GORR, the GORR Letter Agreement, the 2021 RA and the GSA (collectively referred to as the "**Agreements**") and all covenants, terms and provisions thereof shall be and continue to be in full force and effect and are hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect, subject only to any amendments provided hereunder;
 - c. Advance has not made any promises, other than the covenants and agreements specifically contained herein, and has not taken any action or omitted to take any action, that would constitute a waiver or estoppel of Advance's rights to enforce the Agreements or pursue its remedies as granted in the Agreements;
 - d. Except as otherwise stated in this Agreement, AlphaBow is liable for all obligations and payments owing to Advance howsoever and wheresoever they arise, including all interest, fees, costs and expenses incurred or accruing and all other indebtedness of AlphaBow, including as may hereafter be advanced, charged or incurred (the "**Indebtedness**");
 - e. the Indebtedness, as at October 31, 2021, is in the amount of \$15,657,020.89 which amount continues to accrue interest at the rate of 18% per annum, charges and costs for which AlphaBow is liable;
 - f. AlphaBow is in default of its obligations to Advance under the MDCC, the MDCC Letter Agreement, the GORR and the GORR Letter Agreement (the "**Existing Default**");
 - g. AlphaBow does not dispute its liability to repay the Indebtedness on any basis and confirms all rights of Advance are and shall remain in full force and effect; and

- h. Advance has the right to terminate the extension of any additional credit or services under the MDCC at any time, in its absolute discretion.

The Payments to Advance

14. AlphaBow shall pay to Advance the Indebtedness in monthly payments (the "Monthly Payment") as follows:
- a. The first Monthly Payment shall be paid on December 30, 2021 and each subsequent Monthly Payment shall be made on or before the 30th day of each month and effected by way of wire transfer, unless otherwise directed by Advance;
 - b. Each Monthly Payment shall be in an amount that is equivalent to the applicable percentage, as defined below, of AlphaBow's actual proceeds of sale of production from Shell Trading Canada (and/or any replacement or additional entity or entities providing similar trading and market services for AlphaBow's production) (such entity or entities, as the case may be, referred to as the "Trading Company") based on its share of working interests in the Royalty Lands (as defined in the 2021 RA) owned by AlphaBow; provided that unless otherwise mutually agreed in writing by the parties or in the case of events in Article 17, each Monthly Payment shall be capped at \$350,000.00:

Realized Sales Price¹	
(CAD/BBL)	% to Advance
Up to \$60	2.00%
from \$60 to \$70	3.00%
from \$70 to \$80	4.00%
from \$80 to \$90	5.00%
from \$90 to \$100	6.00%
from \$100 to \$110	7.00%
from \$110 to \$120	8.00%
from \$120 and above	17.5%

15. Accompanying each Monthly Payment, AlphaBow will provide Advance with a statement in written or electronic format (including, where applicable, all supporting statements generated by its marketers) showing the total commodities sold, and proceeds or revenue received from its Trading Company.
16. AlphaBow may prepay any amount of the Indebtedness to Advance without penalty.

¹ Realized Sales Price means the price per barrel derived from actual total volume of production for the particular month and proceeds of sale of production received from Trading Company for the particular month. The Realized Sales Price per barrel shall be derived by dividing the total volume of production for the particular month in cubic metres by 0.16 (the "Volume of Product") (i.e. 467.3 M3 divided by 0.16 = 2,920.62 barrels) and then dividing the total Amount Due to AlphaBow for the particular month from the Trading Company by the Volume of Product.

17. AlphaBow agrees to enter into good faith negotiations with Advance to accelerate the repayment of its Indebtedness, whether by way of increasing monthly payments, or making lump sum payments, if and when AlphaBow experiences, or becomes a party to any of the following: (i) a material increase in AlphaBow's production; (ii) a material equity investment is made in AlphaBow; (iii) AlphaBow enters into any debt financing or credit facility with a third party; (iv) upon AlphaBow receiving any revenues from the EOR Project; and/or (v) any other event or circumstance where AlphaBow's financial condition permits, on a commercially reasonable basis, an increase in the Monthly Payments.
18. The Parties agree that upon execution of this Agreement they shall establish a joint committee, comprised of a minimum of two members where the members are officers of each of AlphaBow and Advance, the purpose and mandate of which shall be advancing the development of the EOR Project.
19. AlphaBow agrees to provide Advance with yearly unaudited, or audited, as the case may be, financial statements (within 180 days of AlphaBow's fiscal year end). Further, and if available, AlphaBow agrees to provide Advance with quarterly unaudited financial statements (within 45 days after end of quarter). The provision of the financial statements is to facilitate Advance's understanding of AlphaBow's financial condition.
20. The Parties agree that any payment made by AlphaBow to Advance under this Agreement is made in good faith with the intention of resolving the Action and not made with the intent to defeat, hinder, delay or prejudice any of AlphaBow's other creditors in any manner.
21. Provided that AlphaBow is not in Default in Payment (as defined below) and barring the occurrence of any Termination Event (as defined below):
 - a. the Indebtedness shall accrue interest at the rate of 5% per annum;
 - b. the Action shall be held in abeyance and any limitation periods or deadlines that may otherwise apply to the benefit of any party hereto shall be tolled; and
 - c. Advance will refrain from using legal process to collect monies owing to it under the Consent Judgment.

Default in Payment

22. In the event AlphaBow fails to make any payment as set out in this Agreement, which failure remains uncured 10 business days following written notice of default being provided to AlphaBow, AlphaBow shall be in Default of the Agreement.

Termination Event

23. Each event referred to hereafter is a Termination Event:
 - a. the non-performance by AlphaBow of any obligation under any agreement with Advance; and
 - b. AlphaBow making an assignment in bankruptcy or any other assignment for the benefit of creditors, making any proposal or seeking any relief under the Bankruptcy and Insolvency Act (Canada), the Business Corporations Act (Alberta), the Companies Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada), or any other bankruptcy, insolvency or analogous law in Canada;

Upon Final Payment

24. Upon AlphaBow completing the payments described in Paragraph 14 of this Agreement, or AlphaBow otherwise having paid the Indebtedness, Advance shall instruct its counsel to file a Discontinuance of Action on a without costs basis.

Consent Judgment

25. As security for the payments provided for in paragraph 14, Advance's counsel may enter and file at the Court of Queen's Bench of Alberta the Consent Judgment, file a writ of enforcement with the Clerk of the Court of Queen's Bench of Alberta and register the filed writ of enforcement with the Personal Property Registry.

Mutual Releases

26. Provided AlphaBow is not in default of this Agreement, and upon full payment of the Indebtedness, AlphaBow and Advance, together with their respective assigns, affiliates, subsidiaries, partners, predecessors, successors, officers, directors, employees, agents, consultants, advisors, administrators and insurers, hereby remise, release and forever discharge each other and all of their respective partners, predecessors, successors, assigns, affiliates, subsidiaries, officers, directors, employees, agents, consultants, advisors, administrators, insurers, and each of them from any and all actions, causes of action, suits, claims, damages and costs, and expenses and all allegations made, at law or in equity, which either ever had, against each other arising out of or in any way related to the amounts claimed through the Action.

Assignment

27. Neither Party shall be entitled to assign its rights or obligations hereunder, as reflected in the Agreement, to any third party without the consent of the other Party, and the terms and conditions of this Agreement shall be binding upon any successor to the Parties hereto.

Governing Law and Attornment

28. This Agreement shall be governed by and construed in accordance with the laws in force in the Province of Alberta. The parties irrevocably attorn to the exclusive jurisdiction of the Courts of the Province of Alberta for the determination of all matters arising in connection with this Agreement.

Invalidity of Provisions

29. In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

Understanding

30. The Parties acknowledge that they have entered into this Agreement voluntarily and have received and understood its terms and their effect and they have had the opportunity to obtain their own independent legal advice.

Complete Agreement

31. The Parties represent and declare that they have read this Agreement and confirm that it contains the entire agreement between the Parties with respect to AlphaBow's payment of the Indebtedness and Advance's forbearance of prosecution of the Action and enforcement of the Consent Judgment and the terms of this Agreement, including the preamble, are contractual and not a mere recital.

Addresses for Notice

32. Any notices or correspondence in relation to this Agreement shall be sent by registered mail and email as follows:

TO ALPHABOW:

AlphaBow Energy Ltd
300, 708 – 11 Ave SW
Calgary, AB T2R 0E4
Attention: Quan Li
Email: QuanLi@alphabowenergy.com

AND TO:

c/o Kenneth P. Reh Law Office
700, 1816 Crowchild Trail NW
Calgary, AB T2M 3Y7
Attention: Kenneth P. Reh
Email: ken@reh-law.ca

TO ADVANCE:

Advance Drilling Ltd.
1001, 505 – 3 Street SW
Calgary, AB T2P 3E6
Attention: Fan Jiang
Email: fanjiang@gwdc.ca

AND TO:

c/o Dentons Canada LLP
15 Floor, 850 – 2 Street SW
Calgary, AB T2P 0R8
Attention: Sean Fairhurst
Email: sean.fairhurst@dentons.com

[Remainder of Page Intentionally Left Blank]

Execution

33. This Agreement may be executed: (a) in counterparts, and if so executed, will have the same force and validity as if all Parties had executed the same document; and (b) electronically, including by facsimile or electronic mail.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement and Release effective as of the date first written above.

ALPHABOW ENERGY LTD.

Per: _____

Quan Li
Quan Li

Quan Li
Chief Executive Officer

Intevim

Quan Li

ADVANCE DRILLING LTD.

Per: _____

Fan Jiang
President

AFFIDAVIT OF CORPORATE SIGNING AUTHORITY

**CANADA
PROVINCE OF ALBERTA
TO WIT:**

)
)
)

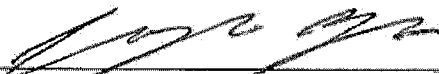
I, Quan Li, of the City of Calgary,
in the Province of Alberta,

MAKE OATH AND SAY:


1. I am the Chief Executive Officer of AlphaBow Energy Ltd. named in the within or annexed instrument.
2. I am authorized by the corporation to execute the said instrument without affixing a corporate seal.

SWORN BEFORE ME at the City of Calgary, in
the Province of Alberta, this 26 day of
November, 2021

)
)
)
)
)
)
)
)
)
)



Commissioner for Oaths for the Province of
Alberta



Quan Li

CHANGHAI ZHU
Barrister & Solicitor

AFFIDAVIT OF CORPORATE SIGNING AUTHORITY

CANADA)
PROVINCE OF ALBERTA)
TO WIT:)

I, Fan Jiang, of the City of Calgary,
in the Province of Alberta,

MAKE OATH AND SAY:

- 3. I am the President of Advance Drilling Ltd. named in the within or annexed instrument.
- 4. I am authorized by the corporation to execute the said instrument without affixing a corporate seal.

SWORN BEFORE ME at the City of Calgary, in)
the Province of Alberta, this _____ day of)
_____, 2021)

Commissioner for Oaths for the Province of)
Alberta)

Fan Jiang)

This is **Exhibit "J"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

From: Ben LI
To: Keely Carleton
Cc: Sean Collins
Subject: FW: Advance v AlphaBow - Notice of Default RE Freehold Royalty
Date: Wednesday, October 16, 2024 5:23:51 PM
Attachments: [image001.png](#)
[Advance Drilling Revenue Payment Jan 2023.xlsx](#)
[Advance Flow Invoice 2021-2023 Jan 2024, AlphaBow Energy Ltd.xlsx](#)
[Stat 2021 to 2023 BOW_6811058.pdf](#)
[Stat 2023 to 2024 BOW_682483.pdf](#)
[@2024 233555 Produce Statement.pdf](#)
[@2024 233555 Produce Statement.pdf](#)

Hi Keely,

We have previously sent statements to Advance based on the settlement made in October 2021.

Attached are the statements from December 2021 to January 2023 for your reference.

Regards,

Ben

From: Ben LI <benli@alphabowenergy.com>
Sent: February 28, 2023 7:46 PM
To: Zhu, Changhal <changhal.zhu@dentons.com>
Cc: Tao Su <sutao@gwdc.ca>; Fan Jiang (GWDG) <fanjiang@gwdc.ca>
Subject: Fwd: Advance v AlphaBow - Notice of Default RE Freehold Royalty

Changhal

Please find attached statement for last month. Money will be paid tomorrow.

Regards

Ben

Get [Outlook for iOS](#)

From: Ava Jiang <avajiang@alphabowenergy.com>
Sent: Tuesday, February 28, 2023 9:32 PM
To: Ben LI <benli@alphabowenergy.com>
Subject: RE: Advance v AlphaBow - Notice of Default RE Freehold Royalty

Hi Ben,

Advance drilling calculation for Jan 2023 done.

Total payment amount is \$129,481.58.

All associated purchaser statements are attached for their reference.

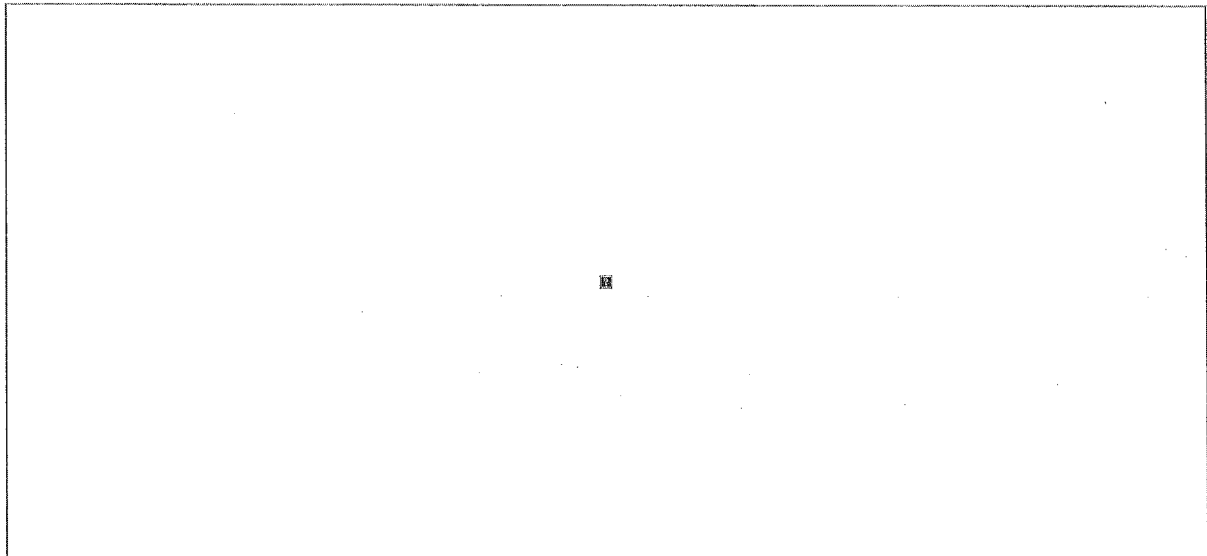
Below is the comparison of AER report and purchaser statements.

Please note freehold deduction was not included in the calculation as it was not accepted.

Please let me know if there's any adjustments needed.

Thank you,

Ava



From: Ava Jiang
Sent: February 28, 2023 11:50 AM
To: Ben LI <benli@alphabowenergy.com>
Subject: RE: Advance v AlphaBow - Notice of Default

From: Zhu, Changhal <changhal.zhu@dentons.com>
Sent: Friday, February 17, 2023 9:13 AM
To: Ben LI <benli@alphabowenergy.com>; Collins, Sean F. <scollins@MCCARTHY.CA>
Cc: Fairhurst, Sean <sean.fairhurst@dentons.com>; Tai, George <george.tai@dentons.com>; Fan Jiang <fanjiang.gwdc@gmail.com>; Tao Su <sutao@gwdc.ca>; Ray Lang <rlang@gwdc.ca>; Yueyi Duan <yueyiduan@alphabowenergy.com>
Subject: Advance v AlphaBow - Notice of Default RE Freehold Royalty

Good Morning,

Please see attached correspondence. The same is being sent to you via registered mail.

Best regards,



Changhal Zhu
Associate

What's Next? The answer is Talent. With more than 20,000 people, 12,000 lawyers and 200 locations, Dentons has the talent for what you need, where you need it.

D +1 403 268 7135
changhal.zhu@dentons.com
[Bio](#) | [Website](#)

Dentons Canada LLP
15th Floor, Bankers Court, 850 - 2nd Street SW Calgary, AB T2P 0R8 Canada

Zaaroni Law Firm & Associates > LuaViet > Fernanda Lopes & Asociados > Guevara & Guierrez > Paz Horowitz Abogados > Strole > Adepelun Caxton-Martins Agbor & Segun > Davis Brown > East African Law Chambers > For more information on the firms that have come together to form Dentons, go to dentons.com/learn/firms

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This is **Exhibit "J"** referred to in the
Affidavit of QUAN LI sworn before me this
21th day of October 2024.



A Commissioner for Oaths
in and for Alberta

Sophie Fiddes
Barrister & Solicitor

GENERAL SECURITY AGREEMENT

Non-Consumer

TO: Advance Drilling Ltd.
("ADVANCE ")

ADDRESS: 1001, 505 – 3 Street SW
Calgary, AB T2P 3E6
Email: fanjiang@gwdc.ca

FROM: AlphaBow Energy Ltd. (the "Debtor")

1. DEFINITIONS

All capitalized terms used in this Agreement and in any schedules attached hereto shall, except where defined herein, be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* (the "PPSA") of the province or territory referred to in the "Governing Law" section of this Agreement (the "Province") and any regulations issued thereunder.

2. SECURITY INTEREST AND CHARGE

- (a) As general and continuing collateral security for the payment and performance of all debts, liabilities and obligations of the Debtor to ADVANCE howsoever arising, including, but not limited to the Settlement Agreement dated November 26, 2021 between the Debtor and Advance, both present and future, absolute and contingent, direct and indirect, matured or not, and whether the Debtor be bound alone or jointly or severally with others (the "Indebtedness"), the Debtor hereby assigns and grants a mortgage, pledge, charge and security interest (which, in the case of any real property and any other Collateral (as hereinafter defined) not subject to the PPSA, shall be a mortgage as and by way of a floating charge) to and in favour of ADVANCE in all property, assets and undertaking of the Debtor referred to in Schedule "A" (including all such property, assets and undertaking owned or leased by or licensed to the Debtor and in which the Debtor at any time has an interest or to which the Debtor is or at any time may become entitled) and in all Proceeds and renewals thereof, Accessions thereto and substitutions therefor (herein collectively called the "Collateral").
- (b) The assignments, mortgages, pledges, charges, security interests and floating charges (if applicable) granted hereunder are hereinafter collectively called the "Security Interests". The Debtor warrants and acknowledges to and in favour of ADVANCE that:
- (i) the Debtor has rights in all existing Collateral and the parties intend the Security Interest hereby created in any of the Debtor's existing property which is subject to the PPSA to attach upon execution and delivery hereof;
 - (ii) the parties intend the Security Interest created in any of the Debtor's after-acquired property which is subject to the PPSA to attach at the same time as it acquires rights in the after-acquired property; and
 - (iii) value has been given.
- (c) For greater certainty, where the Collateral includes all of the Debtor's present and after-acquired Personal Property, and any of such Collateral is or becomes located on lands or premises leased or subleased by the Debtor, the Collateral includes the Debtor's interest as tenant or lessee under any and all of such leases and subleases of the lands or premises.
- (d) The last day of any term reserved by any lease or agreement to lease is excepted out of the Security Interest and does not form part of the Collateral, but the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

- (e) If the grant of the Security Interest in respect of any contract, lease, agreement to lease, license, permit, approval or intellectual property right would result in the termination or breach of such contract, lease, agreement to lease, license, permit, approval or intellectual property right, then the applicable contract, lease, agreement to lease, license, permit, approval or intellectual property right will not be subject to the Security Interest but will be held in trust by the Debtor for the benefit of ADVANCE and, on exercise by ADVANCE of any of its rights under this Agreement following Default, assigned by the Debtor as directed by ADVANCE .

3. CONTINUOUS INTEREST

The Security Interest hereby created is a continuing charge, and shall secure all Indebtedness notwithstanding that the Indebtedness may be fluctuating and even may from time to time and at any time be reduced to a nil balance, and notwithstanding that monies advanced may be repaid and future advances may be made to or to the order of the Debtor or in respect of which the Debtor is liable. The Security Interest maintains priority for all Indebtedness secured hereby whether incurred or arising before or after the creation or registration of any Encumbrance (as hereinafter defined) and notwithstanding that at any time there may not be any Indebtedness then outstanding.

4. AUTHORIZED DEALING WITH COLLATERAL

Until Default (as hereinafter defined), or until ADVANCE provides written notice to the contrary to the Debtor, the Debtor may deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement, provided that the Debtor shall not, without the prior written consent of ADVANCE :

- (a) sell, exchange, lease, transfer or otherwise dispose of any of the Collateral other than inventory being sold, leased or disposed of for fair market value in the ordinary course of the Debtor's business as it is presently conducted and for the purpose of carrying on that business, or
- (b) create, incur or permit to exist any security interest, mortgage, lien, claim, charge or other encumbrance (herein collectively called the "Encumbrances" and individually, an "Encumbrance") upon any of the Collateral whether it would rank or purport to rank in priority to, equally with or behind the Security Interest granted under this Agreement, except operating leases incurred in the ordinary course of the Debtor's business.

Nothing in this Agreement or otherwise creates a postponement or subordination of any priority of ADVANCE in any of the Collateral in favour of any present or future holder of an Encumbrance (including without limitation, a holder of a lease) in any of the Collateral.

If the Collateral comprises any Investment Property, Chattel Paper, Instrument, Money or Document of Title, the Debtor will, forthwith upon request, deliver the same to ADVANCE and will allow ADVANCE to retain possession of the same. If the Collateral comprises any Investment Property that is a Certificated Security, the Debtor will, upon request, deliver to ADVANCE all Security Certificates relating to such Certificated Security endorsed in blank. If the Collateral comprises any Investment Property that is an Uncertificated Security or a Security Entitlement, the Debtor, on request by ADVANCE , will, or will cause the issuer of such Investment Property to, or will cause the Securities Intermediary that holds such Investment Property to, take all steps as are necessary to give exclusive control (as that term is used in the PPSA) over such Investment Property to ADVANCE on terms and conditions satisfactory to ADVANCE .

5. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

The Debtor hereby represents and warrants to ADVANCE that:

- (a) the Collateral is owned by the Debtor free of all Encumbrances, save for those Encumbrances agreed to in writing between ADVANCE and the Debtor and those shown on Schedule "B" hereto;
- (b) each Account, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor") and the amount represented by the Debtor to ADVANCE from time to time as owing by each Account Debtor will be the correct amount actually and unconditionally owing from such Account Debtor, except for normal cash discounts where applicable;

- (c) as at the date hereof, the description of the Collateral in Schedule "A" hereto is complete and accurate, and, if so requested by ADVANCE , all serial numbers and vehicle identification numbers affixed to or ascribed to any of the Collateral have been provided to ADVANCE ;
- (d) the Debtor has full power and authority to conduct its business and own its properties in all jurisdictions in which the Debtor carries on business, except to the extent any failure to do so would not reasonably be expected to have a material adverse effect on its business, operations or financial condition or impair its ability to perform its obligations hereunder, and has full power and authority to grant to ADVANCE the Security Interest created under this Agreement and to execute, deliver and perform all of its obligations under this Agreement;
- (e) this Agreement has been duly executed and delivered by the Debtor and constitutes a legal, valid and binding obligation of the Debtor, subject only that such enforcement may be limited by bankruptcy, insolvency and any other similar laws of general application affecting creditors' rights generally and by rules of equity limiting enforceability by specific performance;
- (f) there is no provision in any agreement to which the Debtor is a party, nor is there any statute, rule or regulation, or to the knowledge of the Debtor any judgment, decree or order of any court, binding on the Debtor which would be contravened by the execution and delivery of this Agreement;
- (g) other than Court of Queen's Bench Action No. 2101-07914, there is no litigation, proceeding or dispute pending, or to the knowledge of the Debtor threatened, against or affecting the Debtor or the Collateral, the adverse determination of which might materially and adversely affect the Debtor's business, financial condition or operations or impair the Debtor's ability to perform its obligations hereunder or affect the priority of the Security Interest created hereunder or affect the rights and remedies of ADVANCE hereunder;
- (h) the name of the Debtor is accurately and fully set out below, and the Debtor is not nor has it been known by any other name other than as set out below;
- (i) as at the date hereof, the Collateral is located in the Province and such other jurisdictions indicated on Schedule "A" hereto. With respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule "A" are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment; and all buildings, fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situated at one of such locations. For certainty, the Security Interests attach to all Collateral, wherever located, whether or not in jurisdictions indicated on Schedule "A" hereto;
- (j) the Collateral does not consist of Consumer Goods;
- (k) the Collateral, except as previously communicated to ADVANCE in writing, does not consist of Goods that are of a kind that are normally used in more than one jurisdiction; and
- (l) the Debtor's place of business, or if more than one place of business, the Debtor's chief executive office, is located in the Province (unless otherwise advised to ADVANCE in writing).

6. COVENANTS OF THE DEBTOR

The Debtor hereby covenants with ADVANCE that:

- (a) the Debtor owns and will maintain the Collateral free of Encumbrances, except those agreed to in writing between ADVANCE and the Debtor and those described in Schedule "B" hereto, or hereafter approved in writing by ADVANCE prior to their creation or assumption, and will defend its title to the Collateral for the benefit of ADVANCE against the claims and demands of all persons;
- (b) the Debtor will maintain the Collateral in good condition and repair and will not allow the value of the Collateral to be materially impaired and will permit ADVANCE or such person as ADVANCE may from time to time appoint to enter into any premises during business hours and on reasonable prior notice (or at such other time as may be reasonably requested by ADVANCE or such person) where the Collateral may be kept to view its condition;

- (c) the Debtor will conduct its business in a proper and business-like manner and will keep proper books of account and records of its business, and upon request will furnish access to its books and records at all reasonable times, and will give to ADVANCE any information which it may reasonably require relating to the Debtor's business;
- (d) the Debtor will punctually pay all rents, taxes, rates and assessments lawfully assessed or imposed upon any property or income of the Debtor and will punctually pay all debts and obligations to labourers, workers, employees, contractors, subcontractors, suppliers of materials and other creditors which, when unpaid, might under applicable federal, provincial, state or other laws have priority over the Security Interest granted by this Agreement;
- (e) the Debtor will punctually make all payments and perform all of its obligations under any contracts under which any material Collateral is held or to which it is subject;
- (f) the Debtor will immediately give notice to ADVANCE of:
 - (i) any change in the location of the Collateral from that specified in Section 5(i) hereof;
 - (ii) the details of any material acquisition or disposition of Collateral (whether authorized by ADVANCE or not), including any additions to or deletions from the listing of serial numbers and vehicle identification numbers specified in Schedule "A" hereto;
 - (iii) any material loss of or damage to Collateral;
 - (iv) the details of any claims or litigation that could adversely affect the Debtor or the Collateral in any material way;
 - (v) any change of its name or of any trade or business name used by it;
 - (vi) any change of its place of business, or if it has more than one place of business, of its chief executive office; and
 - (vii) any merger or amalgamation of the Debtor with any person;

and the Debtor agrees not to effect or permit any of the changes referred to in clauses (i), (ii), (v), (vi) or (vii) above unless all filings have been made and all other actions have been taken that are required or desirable (as determined by ADVANCE) in order for ADVANCE to continue to have a valid and perfected Security Interest in respect of the Collateral at all times following such change;

- (g) the Debtor will insure and keep insured the Collateral (or, in the case of any real property, the buildings located on and constituting part of the Collateral) against loss or damage by fire, lightning, explosion, smoke, impact by aircraft or land vehicle, riot, windstorm, hail and other insurable hazards to the extent of its full insurable value, and will maintain all such other insurance as ADVANCE may reasonably require. The loss under the policies of insurance will be made payable to ADVANCE as its interest may appear and will be written by an insurance company approved by ADVANCE on terms reasonably satisfactory to ADVANCE, and the Debtor will provide ADVANCE with copies of the same. The Debtor will pay all premiums and other sums of money necessary for such purposes as they become due and will deliver to ADVANCE proof of said payment, and will not allow anything to be done by which the policies may become vitiated. Upon the happening of any loss or damage the Debtor will furnish at its expense all necessary proofs and will do all necessary acts to enable ADVANCE to obtain payment of the insurance monies;
- (h) the Debtor will observe the requirements of any regulatory or governmental authority with respect to the Collateral, except to the extent any failure to do so would not reasonably be expected to have a material adverse effect on its business, operations or financial condition or affect the priority of the Security Interest created hereunder or affect the rights and remedies of ADVANCE hereunder;
- (i) the Debtor will not remove any of the Collateral from any location specified in Section 5(i) hereof without the prior written consent of ADVANCE;

- (j) ADVANCE may pay or satisfy any Encumbrance created in respect of any Collateral, or any sum necessary to be paid to clear title to such Collateral, and the Debtor agrees to repay the same on demand, plus interest thereon at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness;

- (k) ADVANCE and the Debtor may from time to time agree in writing as to affirmative and negative covenants and restrictions to be performed and observed by the Debtor in respect of provision of financial information, payment of dividends, capital expenditures, incurring of additional obligations, reduction of capital, distribution of assets, amalgamation, repayment of loans, lending of money, sale and other disposition of assets and/or such other matters as ADVANCE and the Debtor may think fit, and the Debtor agrees to perform and observe such affirmative and negative covenants and restrictions to the same extent and effect as if the same were fully set forth in this Agreement; and

- (l) the Debtor will not permit the Collateral constituting personal property to become affixed to real or other personal property (unless the Debtor owns such real or other personal property, and ADVANCE has a Security Interest therein having the same priority as in respect of the Collateral becoming so affixed) without the prior consent of ADVANCE in writing, and will obtain and deliver to ADVANCE such waivers regarding the Collateral as ADVANCE may reasonably request from any owner, landlord or mortgagee of the premises where the Collateral is or may be located.

7. DEFAULT

The happening of any of the following shall constitute default (a "Default") under this Agreement:

- (a) the Debtor fails to pay, when due, the Indebtedness or any part thereof;
- (b) the Debtor fails, when due, to perform any obligation (other than payment of the Indebtedness or any part thereof) to ADVANCE, and such failure, if capable of being cured, is not cured within 5 days of the date the Debtor first knew or should have known of such failure;
- (c) the Debtor fails when due to perform any obligation to any other person, and such failure, if capable of being cured, is not cured within 7 days of the date the Debtor first knew or should have known of such failure;
- (d) any representation or warranty made in this Agreement or any other document or report furnished to ADVANCE in respect of the Debtor or the Collateral is false or misleading in any material respect;
- (e) the Debtor ceases or demonstrates an intention to cease to carry on business or disposes or purports to dispose of all or a substantial part of its assets;
- (f) any of the licenses, permits or approvals granted by any government or any government authority and material to the business of the Debtor is withdrawn, cancelled or significantly altered;
- (g) an order is made or a resolution is passed for winding up the Debtor, or a petition is filed for the winding up, dissolution, liquidation or amalgamation of the Debtor or any arrangement or composition of its debts;
- (h) the Debtor becomes insolvent or makes an assignment or proposal or files a notice of intention to make a proposal for the benefit of its creditors, or a bankruptcy petition or receiving order is filed or made against the Debtor, or a Receiver (as hereinafter defined), trustee, custodian or other similar official of the Debtor or any part of its property is appointed, or the Debtor commits or demonstrates an intention to commit any act of bankruptcy, or the Debtor otherwise becomes subject to the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangements Act* (Canada) or any other act for the benefit of its creditors;
- (i) any execution, sequestration, extent or distress or any other like process is levied or enforced against any property of the Debtor, or a secured party takes possession of any of the Debtor's property;
- (j) any material adverse change occurs in the financial position of the Debtor; or

- (k) ADVANCE considers that it is insecure, or that the prospect of payment or performance by the Debtor of the Indebtedness is or is about to be impaired, or that the Collateral is or is about to be placed in jeopardy.

8. REMEDIES

On Default:

- (a) ADVANCE may seize or otherwise take possession of the Collateral or any part thereof and sell the same by public or private sale at such price and upon such terms as ADVANCE in its sole discretion may determine, and the proceeds of such sale less all costs and expenses of ADVANCE (including costs as between a solicitor and its own client on a full indemnity basis) shall be applied on the Indebtedness and the surplus, if any, shall be disposed of according to law;
- (b) ADVANCE may apply to a court of competent jurisdiction for the sale or foreclosure of any or all of the Collateral;
- (c) ADVANCE may enforce this Agreement by any method provided for in this Agreement, under the PPSA or under any other applicable statute or otherwise as permitted by law, and may dispose of the Collateral by any method permitted by law, including disposal by lease or deferred payment;
- (d) ADVANCE may apply to a court for the appointment of a Receiver (as hereinafter defined), or may appoint by instrument any person or persons, to be a Receiver of any Collateral, and may remove any person so appointed and appoint another in his stead. The term "Receiver" as used in this Agreement includes a receiver, a manager and a receiver-manager;
- (e) any Receiver will have the power:
- (i) to take possession of any or all of the Collateral and for that purpose to take any proceedings, in the name of the Debtor or otherwise;
 - (ii) to carry on or concur in carrying on the business of the Debtor and enter on, occupy and use (without charge by the Debtor) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Debtor;
 - (iii) to sell or lease any Collateral;
 - (iv) to make any arrangement or compromise which he may think expedient in the interest of ADVANCE ;
 - (v) to pay all liabilities and expenses connected with the Collateral, including the cost of insurance and payment of taxes or other charges incurred in obtaining, maintaining possession of and preserving the Collateral, and the same shall be added to the Indebtedness and secured by the Collateral;
 - (vi) to hold as additional security any increase or profits resulting from the Collateral;
 - (vii) to exercise all rights that ADVANCE has under this Agreement or otherwise at law;
 - (viii) with the consent of ADVANCE in writing, to borrow money for the purpose of carrying on the business of the Debtor or for the maintenance of the Collateral or any part thereof or for other purposes approved by ADVANCE , and any amount so borrowed together with interest thereon shall form a charge upon the Collateral in priority to the Security Interest created by this Agreement;
 - (ix) to enter into and to occupy any premises in which the Debtor has any interest; and
 - (x) to exercise any of the powers and rights of an Entitlement Holder in respect of any Security Entitlement of the Debtor;
- (f) the Debtor hereby appoints each Receiver appointed by ADVANCE to be its attorney to effect the sale or lease of any Collateral and any deed, lease, agreement or other document signed by a Receiver under his seal pursuant hereto will have the same effect as if it were under the seal of the Debtor;
- (g) any Receiver will be deemed (for purposes relating to responsibility for the Receiver's acts or omissions) to be the agent of the Debtor and not of ADVANCE , and the Debtor will be solely responsible for his acts or defaults and for

his remuneration and expenses, and ADVANCE will not be in any way responsible for any misconduct or negligence on the part of any Receiver;

- (h) neither ADVANCE nor any civil enforcement agent, sheriff, Receiver or person having similar responsibilities will be required to take any steps to preserve any rights against other parties pursuant to any Collateral, including without limitation, any Investment Property, Chattel Paper or Instrument constituting the Collateral or any part of it. Furthermore, ADVANCE shall have no obligation to take any steps to preserve prior encumbrances on any Collateral whether or not in ADVANCE's possession and shall not be liable or accountable for failure to do so;
- (i) neither ADVANCE nor any civil enforcement agent, sheriff, Receiver or person having similar responsibilities is required to keep Collateral identifiable; and
- (j) ADVANCE may use the Collateral in any manner as it in its sole discretion deems advisable.

ADVANCE may exercise any or all of the foregoing rights and remedies (or any other rights and remedies available to ADVANCE) without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by applicable law) to or on the Debtor or any other person, and the Debtor by this Agreement waives each such demand, presentment, protest, advertisement and notice to the extent permitted by applicable law. None of the rights and remedies contained herein or otherwise available to ADVANCE will be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time.

9. COLLECTION OF DEBTS

Before or after Default, ADVANCE may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on any Collateral to ADVANCE. The Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from Account Debtors after Default under this Agreement and whether before or after notification of this Security Interest to Account Debtors shall be received and held by the Debtor in trust for ADVANCE and shall be turned over to ADVANCE on request. The Debtor shall furnish ADVANCE with all information which may assist in the collection of all Accounts and any other monies or debts due to the Debtor.

10. INVESTMENT PROPERTY

If the Collateral at any time includes Investment Property, the Debtor irrevocably authorizes and appoints ADVANCE as its attorney and agent to transfer the same or any part thereof into its own name or that of its nominee(s) so that ADVANCE or its nominee(s) may appear on record as the sole owner thereof; provided that, until Default, ADVANCE shall deliver promptly to the Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to the Debtor or its order a proxy to vote and take all action with respect to such Investment Property. After Default, the Debtor waives all rights to receive any notices or communications received by ADVANCE or its nominee(s) as such registered owner and agrees that no proxy issued by ADVANCE to the Debtor or to its order as aforesaid shall thereafter be effective. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released.

11. COLLATERAL IN POSSESSION OF ADVANCE

The Debtor agrees with ADVANCE that, with respect to any Collateral held in the possession of ADVANCE pursuant to this Agreement ("Retained Collateral"):

- (a) ADVANCE's responsibility with regard to the Retained Collateral shall be limited to exercising the same degree of care which it gives to similar property held by ADVANCE at the branch where the Retained Collateral is held. ADVANCE shall not in any event be obligated to protect the Retained Collateral from depreciating or becoming worthless, or to present, protest, collect, enforce or realize on any of the Retained Collateral;
- (b) ADVANCE shall not be obliged to collect or see to the payment of revenue, income, interest or dividends upon any of the Retained Collateral, but all such revenue, income, interest or dividends, if any, when received by the Debtor, shall immediately be paid to ADVANCE. ADVANCE, in its sole discretion, may hold such monies as Collateral or appropriate it to any portion of the Indebtedness;
- (c) the Debtor irrevocably appoints ADVANCE as its attorney and agent, with full powers of substitution, to sell, transfer, surrender, redeem, endorse or otherwise deal with any of the Retained Collateral as ADVANCE, in its sole discretion,

may see fit. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released; and

- (d) ADVANCE shall have all rights and powers, but shall not be required to exercise any right or benefit which the holder or owner of the Retained Collateral may at any time have in connection with the Retained Collateral.

12. ACCELERATION

In the event of Default, ADVANCE, in its sole discretion, may without demand or notice of any kind, declare all or any of the Indebtedness which is not by its terms payable on demand, to be immediately due and payable. The provisions of this section are not intended in any way to affect any rights of ADVANCE with respect to any Indebtedness which may now or hereafter be payable on demand.

13. NOTICE

Any notice or demand required or permitted to be made or given by ADVANCE to the Debtor may be validly served by delivering the same or by mailing the same prepaid registered mail, addressed to the Debtor at the last known address of the Debtor or of any officer or director thereof, as shown on the records of ADVANCE, and in the case of mailing, such notice or demand shall be deemed to have been received by the Debtor on the third business day following the date of mailing.

14. COSTS AND EXPENSES

The Debtor agrees to pay all reasonable costs, charges and expenses incurred by ADVANCE or any Receiver appointed by it (including without restricting the generality of the foregoing, legal costs as between a solicitor and his own client on a full indemnity basis and also an allowance for the time, work and expenses of ADVANCE or any agent, solicitor, or servant of ADVANCE for any purpose herein provided at such rates as ADVANCE may establish in its sole discretion from time to time) in preparing, registering or enforcing this Agreement, taking custody of, preserving, maintaining, repairing, processing, preparing for disposing of the Collateral and in enforcing or collecting the Indebtedness, and all such costs, charges and expenses shall be a first charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.

15. REAL PROPERTY

- (a) For all purposes, including for the purposes of any application to register a crystallized floating charge under the *Land Title Act* (Alberta) against any real property, the floating charge created by this Agreement shall be crystallized and become a fixed charge against all of the property which is then subject to the floating charge upon the earliest of:
- (i) any one of the events described in Section 7 hereof occurring;
 - (ii) a declaration by ADVANCE pursuant to Section 12 or a demand for payment otherwise being made by ADVANCE;
 - (iii) ADVANCE taking any action to appoint a Receiver or to enforce its Security Interest or to realize upon all or any part of the Collateral; or
 - (iv) ADVANCE taking any action to register the floating charge granted hereunder or any caveat, security notice or other instrument in respect thereof against all or any part of the property which was subject to the floating charge at any real property registry or other similar office.

16. REGISTRATION

The Debtor will ensure that this Agreement and all such supplementary and corrective instruments and any additional mortgage and security documents, and all documents, caveats, cautions, security notices and financing statements in respect thereof, are promptly filed and refiled, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by applicable law or as may be necessary or desirable to perfect and preserve the Security Interests as a first priority mortgage, charge and security interest and the rights conferred or intended to be conferred upon ADVANCE by the Security Interests and will cause to be furnished promptly to ADVANCE evidence satisfactory to ADVANCE of such filing, registering and depositing.

17. MISCELLANEOUS

- (a) Without limiting any other right of ADVANCE , whenever the debts and liabilities of the Debtor to ADVANCE are immediately due and payable, or ADVANCE has the right to declare the debts and liabilities to be immediately due and payable, whether or not it has so declared, ADVANCE may, in its sole discretion, set-off against the debts and liabilities any and all monies then owed to the Debtor by ADVANCE in any capacity, whether due or not due, and ADVANCE shall be deemed to have exercised such right of set-off immediately at the time of making its decision to do so even though any charge therefor is made or entered on ADVANCE 's records subsequent thereto.
- (b) ADVANCE may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor, sureties and others and with Collateral and other security as ADVANCE may see fit without prejudice to the liability of the Debtor or to ADVANCE 's right to hold and realize the Security Interest. ADVANCE may demand, collect and sue on the Collateral in either the Debtor's or ADVANCE 's name, at ADVANCE 's option, and may endorse the Debtor's name on any and all cheques, commercial paper and any other instruments pertaining to or constituting Collateral and for this purpose, the Debtor irrevocably authorizes and appoints ADVANCE as its attorney and agent, with full power of substitution. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released.
- (c) Upon the Debtor's failure to perform any of its obligations under this Agreement, ADVANCE may, but shall not be required to, perform any such obligations, and the Debtor will pay to ADVANCE , upon demand, an amount equal to the expense incurred by ADVANCE in so doing with interest thereon from the date such expense is incurred at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness.
- (d) This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. The Debtor may not assign this Agreement, or any of its rights or obligations under this Agreement, without the prior written consent of ADVANCE . In any action brought by an assignee of this Agreement or the Security Interest created hereunder or any part thereof, the Debtor shall not assert against the assignee any claim or defense which the Debtor now has or hereafter may have against ADVANCE .
- (e) If more than one person executes this Agreement as the Debtor:
 - (i) the obligations of such persons hereunder shall be joint and several;
 - (ii) the Security Interests shall secure the Indebtedness of each Debtor, whether or not any other Debtor or any other person is also liable therefor; and
 - (iii) the Collateral shall include the interest of any Debtor in the property, assets and undertaking constituting Collateral owned or otherwise held by such Debtor, whether or not any other Debtor also has an interest therein.
- (f) The Debtor acknowledges and agrees that in the event it amalgamates with any other corporation or corporations it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Security Interests granted hereby:
 - (i) shall extend and attach to "Collateral" (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated corporation; and
 - (ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating corporations and the amalgamated corporation to ADVANCE at the time of amalgamation and any "Indebtedness" of the amalgamated corporation to ADVANCE thereafter arising.
- (g) This Agreement is in addition to and not in substitution for any other security or securities now or hereafter held by ADVANCE and all such other securities shall remain in full force and effect. ADVANCE will not be obliged to exhaust its recourse against the Debtor or any other person or against any other security it may hold in respect of the Indebtedness before realizing upon or otherwise dealing with the Collateral in such manner as ADVANCE may consider desirable.

- (h) The Debtor further agrees to execute and deliver to ADVANCE such further assurances and conveyances and supplemental deeds and instruments as may be necessary to properly carry out the intention of this Agreement, as determined by ADVANCE, or as may be required by ADVANCE from time to time, in each case acting reasonably.
- (i) After Default, ADVANCE may from time to time apply and re-apply, notwithstanding any previous application, in any such manner as it, in its sole discretion, sees fit, any monies received by it from the Debtor or as a result of any enforcement or recovery proceedings, in or toward payment of any portion of the Indebtedness. The Debtor will remain liable for any Indebtedness that is outstanding following realization of all or any part of the Collateral and the application of the proceeds thereof.
- (j) For the purpose of assisting ADVANCE in assessing the creditworthiness of the Debtor or the ownership or description of any of the Collateral, and for the purpose of collecting all or any portion of the Indebtedness owing by the Debtor to ADVANCE, the Debtor consents to the disclosure and release to ADVANCE of personal information, including without limitation, motor vehicle information from Alberta Registries (or any other provincial government department having jurisdiction in that area). This consent is effective from the effective date of this Agreement and shall remain in effect until all Indebtedness is fully satisfied.

18. INTERPRETATION

- (a) If a portion of this Agreement is wholly or partially invalid, then this Agreement will be interpreted as if the invalid portion had not been a part of it.
- (b) Where the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary depending upon the person referred to being male, female or body corporate.

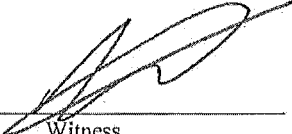
19. GOVERNING LAW

This Agreement will be interpreted in accordance with the laws of the Province of Alberta, and the Debtor irrevocably agrees that any suit or proceeding with respect to any matters arising out of or in connection with this Agreement may be brought in the courts of such Province or in any court of competent jurisdiction, as ADVANCE may elect, and the Debtor agrees to attorn to the same.

20. COPY OF AGREEMENT


The Debtor hereby acknowledges receipt of a copy of this Agreement, and waives any right it may have to receive a Financing Statement, Financing Change Statement or Verification Statement relating to it.

IN WITNESS WHEREOF the Debtor has executed this Agreement this 8 day of December, 2021.



Witness
Michael Lam

AlphaBow Energy Ltd.

Per: 

Quan Li, Interim Chief Executive Officer

I have authority to bind the Debtor

Full Address of Debtor:

300, 708 - 11 Ave SW
Calgary, AB T2R 0E4
Email:
MichaelLam@alphabowenergy.com

Full List of all prior names by which Debtor has been known (whether by way of name change, amalgamation or otherwise):

AlphaBow Energy Ltd.
Sequoia Operating Corp.

SCHEDULE A

Description of Collateral:

1. All present and after-acquired Carbon Dioxide ("Co2"), up to an amount of, but not to exceed, 400,000 tons of Co2, obtained, used or received by the Debtor and relating to, located upon, or used in connection with and/or the operation of the Viking B Phase I EOR Project (Alberta Energy Regulator Approval No. 12951) as described in the Offset Project Plan dated April 19, 2021 (the "EOR Project"), including any Carbon Credits generated from the use or sequestration of the Co2 by the Debtor, or to the account of the Debtor, under and by virtue of the EOR Project (the "Collateral") charged, secured and committed to the Secured Party under and by virtue of a November 26, 2021 Settlement Agreement (the "Settlement Agreement") between the Debtor and the Secured Party to secure the payment of all amounts due and owing, or that may become due and owing, whether under a payment schedule or not, from time to time and which the Debtor promised to pay to the Secured Party under the Settlement Agreement for services performed by the Secured Party for the Debtor under a Master Services Agreement dated December 15, 2016 between the Debtor and Green Horizon Energy Services Inc, (predecessor to the Secured Party) and a Master Drilling and Completion Contract dated November 23, 2018 between the Debtor and the Secured Party.
2. Proceeds: proceeds in any form resulting directly or indirectly from the sale or handling of the Collateral described herein, including without limitation all: goods and accessions thereto, accounts, cheques, chattel paper, money, intangibles, goods, documents of title, instruments, investment property (all as defined in the Personal Property Security Act (Alberta), any Regulations thereunder and any amendments thereto) and insurance proceeds covering the Collateral or that compensate for loss or damage to the Collateral.

Car

**SCHEDULE B
PERMITTED ENCUMBRANCES**

Nil