



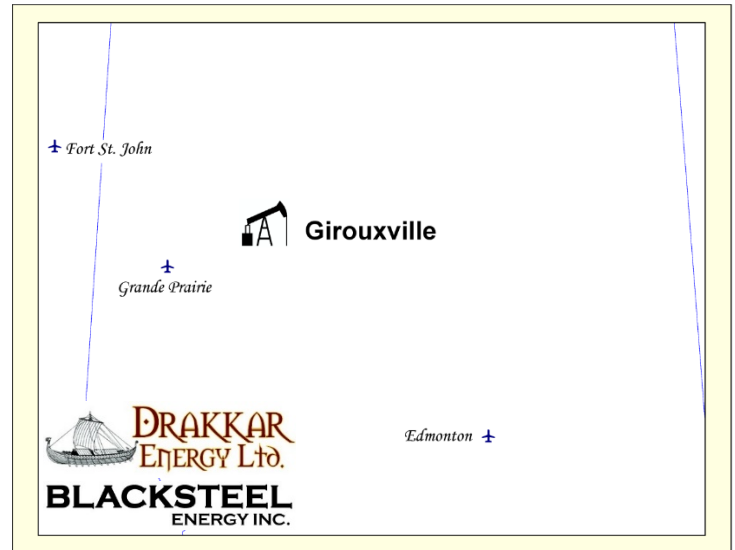
OVERVIEW INFORMATION

**Strategic Alternatives Process:
Girouxville, Alberta
41 boe/d Montney Oil Property**



Drakkar Energy Ltd. (“Drakkar”) and Blacksteel Energy Inc. (“Blacksteel”) (TSX-V: BEY) (collectively the “Companies”) have a combined 100% working interest (70% Drakkar, 30% Blacksteel) in an oil and natural gas asset in the Girouxville area of northwestern Alberta (the “Property”). The Property is operated by Drakkar and is the sole asset of both Companies.

The Companies have engaged Sayer Energy Advisors to assist with a joint sales process whereby Drakkar and Blacksteel intend to both pursue a process to explore strategic alternatives. The Companies are open to reviewing all alternatives, with potential outcomes to this process including, but not limited to, a sale or merger of the Companies or other form of business combination; a recapitalization or other form of strategic investment; or the sale of the working interests in the Property.



Recent production net to the Companies from the Property has averaged approximately 41 barrels of oil per day.

As of April 4, 2020, Drakkar’s net deemed asset value associated with the Property was \$2.2 million (deemed assets of \$3,116,932 and deemed liabilities of \$948,731), with an LMR ratio of 3.29.

PROCESS & TIMELINE

Sayer Energy Advisors is accepting proposals relating to this process until **12:00 pm on Thursday, May 21, 2020.**

Timeline	
Week of April 13, 2020	Preliminary Information Distributed
Week of April 20, 2020	Data Room Opens
May 21, 2020	Bid Deadline
May 1, 2020	Effective Date
June 2020	Closing Date

Sayer Energy Advisors does not conduct a “second-round” bidding process; the intention is to attempt to conclude transaction(s) with the party(ies) submitting the most acceptable proposal(s) at the conclusion of the process.

Sayer Energy Advisors is accepting proposals from interested parties until noon on Thursday, May 21, 2020.



Corporate Overview

Drakkar is a privately-held company with no staff or severance obligations, with all services being provided by contractors and no office lease obligation. Drakkar has estimated total tax pools of over \$13.5 million as of June 30, 2019, including approximately \$7.8 million in non-capital losses. Additional corporate information relating to Drakkar will be provided to parties once a confidentiality agreement has been signed.

Blacksteel is a publicly-traded company with no staff or severance obligations, with all services being provided by contractors, no office lease obligation and it currently has a working capital deficiency of approximately \$1.8 million (which includes approximately \$2.0 million of convertible debentures of which Blacksteel is currently pursuing a conversion to common shares or an extension of the term). Blacksteel had estimated total tax pools of over \$9.8 million as of April 30, 2019, including approximately \$4.3 million in non-capital losses.

Reserves Overview (Drakkar 70% W.I., Blacksteel 30% W.I.)

GLJ Petroleum Consultants Ltd. ("GLJ") prepared an independent reserves evaluation of the *Girouxville* property as part of Drakkar's year-end reporting (the "Drakkar GLJ Report"). The Drakkar GLJ Report is effective December 31, 2018 using GLJ's January 1, 2019 forecast pricing.

GLJ estimates that, as of December 31, 2018, Drakkar's 70% working interest in the *Girouxville* property contained remaining proved plus probable reserves of 1.1 million barrels of oil and natural gas liquids and 2.8 Bcf of natural gas (1.6 million boe) with an estimated net present value of \$15.1 million using forecast pricing at a 10% discount.

GLJ Petroleum Consultants Ltd. as of December 31, 2018							
	COMPANY GROSS RESERVES				PV BEFORE TAX		
	Oil Mbbbl	Natural Gas MMcf	Ngl Mbbbl	Total MBOE	5%	10% (000's)	15%
Proved Developed Producing	99	0	4	103	\$515	\$502	\$482
Proved Undeveloped	447	1,385	17	695	\$9,210	\$7,207	\$5,746
Total Proved	546	1,385	21	798	\$9,725	\$7,709	\$6,228
Probable	548	1,463	21	813	\$10,830	\$7,378	\$5,204
Total Proved Plus Probable	1,094	2,848	42	1,611	\$20,555	\$15,087	\$11,432

The reserve estimates and forecasts of production and revenues for Drakkar's properties were prepared within the context of Drakkar's year-end evaluation, which was an evaluation of all of Drakkar's properties in aggregate. Extraction and use of any individual property evaluation outside of this context may not be appropriate without supplementary due diligence. Values in the "Total" row may not correspond to the total of the values presented due to rounding.

GLJ Petroleum Consultants Ltd. ("GLJ") prepared an independent reserves evaluation of the *Girouxville* property as part of the Blacksteel's year-end reporting (the "Blacksteel GLJ Report"). The Blacksteel GLJ Report is effective April 30, 2019 using GLJ's April 1, 2019 forecast pricing.

GLJ estimates that, as of April 30, 2019, Blacksteel's 30% working interest in the *Girouxville* property contained remaining proved plus probable reserves of 486,000 barrels of oil and natural gas liquids and 1.2 Bcf of natural gas (690,000 boe) with an estimated net present value of \$6.1 million using forecast pricing at a 10% discount.

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Proved Undeveloped	191	597	8	299	\$3,822	\$3,005	\$2,407
Total Proved	232	597	10	342	\$3,995	\$3,175	\$2,570
Probable	235	627	9	349	\$4,160	\$2,909	\$2,091
Total Proved Plus Probable	467	1,224	19	690	\$8,155	\$6,084	\$4,661

The reserve estimates and forecasts of production and revenues for Blacksteel's properties were prepared within the context of Blacksteel's year-end evaluation, which was an evaluation of all of Blacksteel's properties in aggregate. Extraction and use of any individual property evaluation outside of this context may not be appropriate without supplementary due diligence. Values in the "Total" row may not correspond to the total of the values presented due to rounding.





Girouxville Property

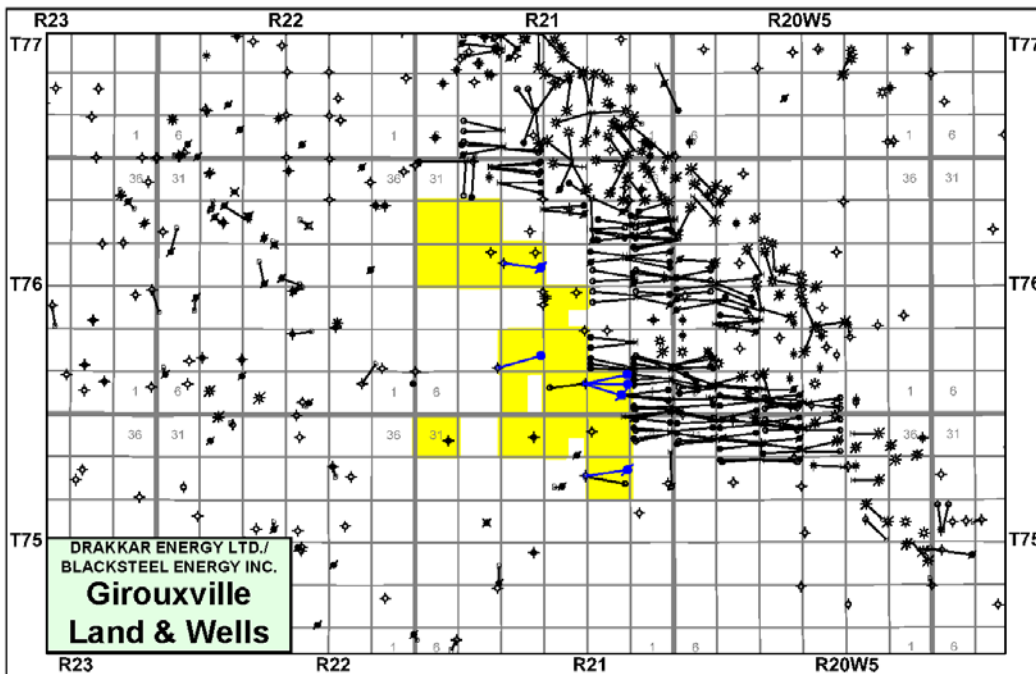
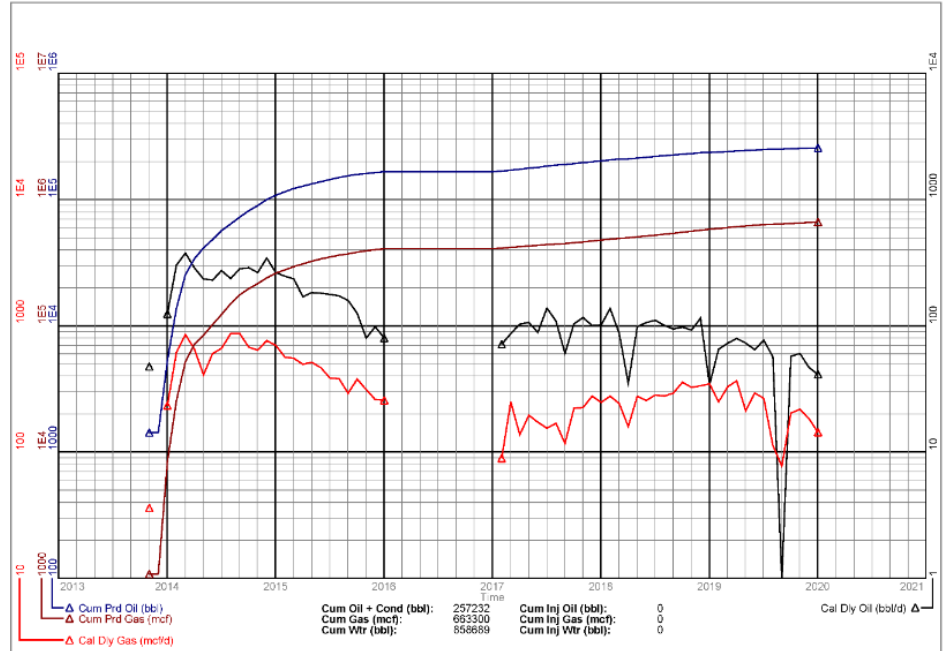
Township 75-76, Range 21 W5

At *Girouxville*, the Companies hold a combined 100% working interest (70% Drakkar, 30% Blacksteel) in 15 sections of land which have been proven to be productive for light oil from the Montney Formation. The operator of the Property is Drakkar.

The previous operator drilled six wells on the land at *Girouxville*. One well has been converted to a water disposal well in the Cadotte Formation. The Property was shut-in by the previous operator in January 2016 and some of the wells were reactivated in February 2017 by the Companies.

Current production net to the Companies is approximately 41 barrels of oil per day.

Group Plot of the Companies' Montney Oil Wells
Recent Production 41 bbl/d, 143 Mcf/d (flared)
Cumulative Production 257 Mbbbl oil, 0.7 Bcf natural gas



The Property can be fully developed with additional horizontal oil wells, with potentially up to eight wells per section, consistent with the development in the pool to the east of the Property.

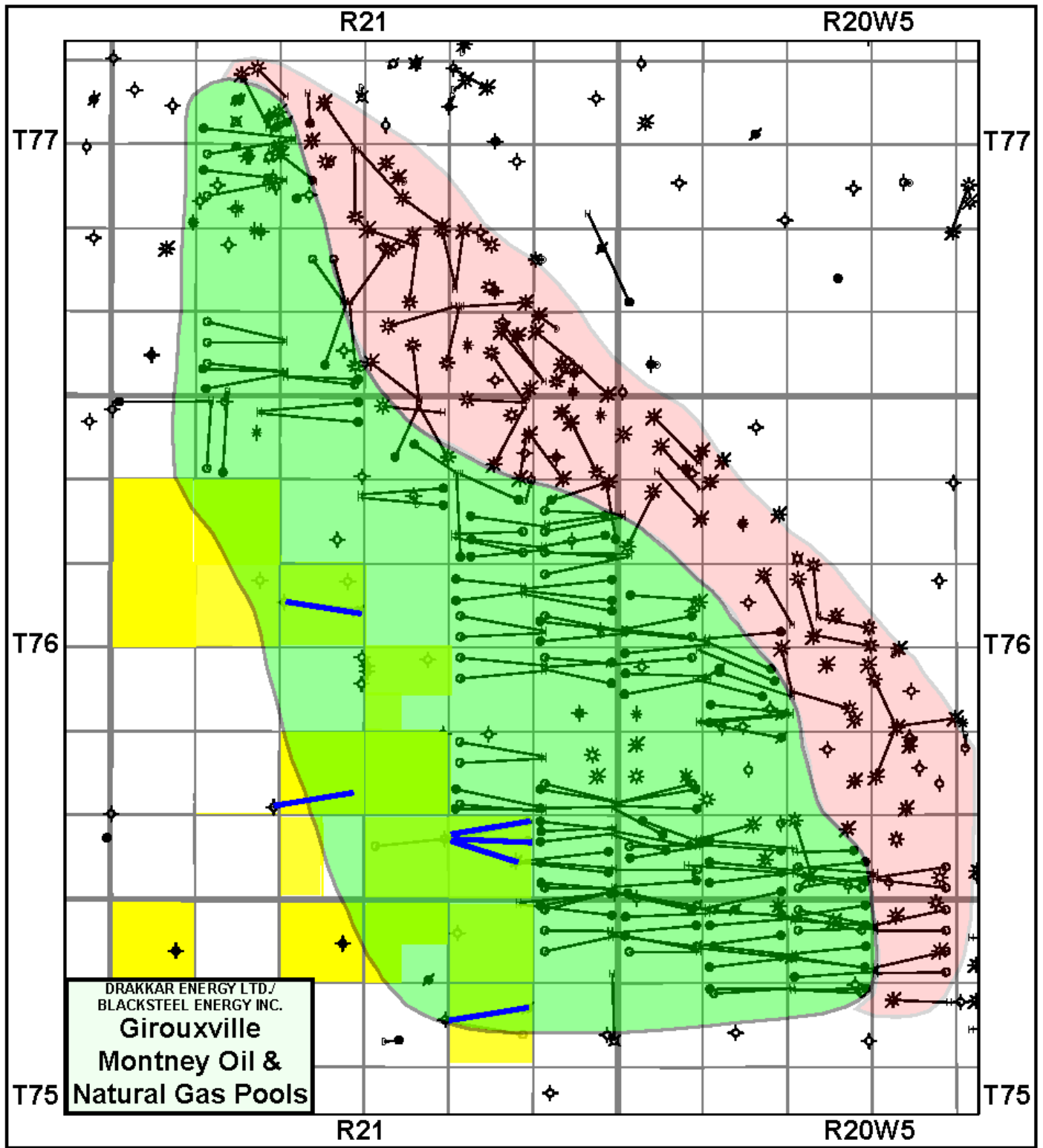
The Companies also believe the Property is a candidate for further oil recovery through water flooding.

The Property is on trend with the adjacent Montney pool currently being developed by **Long Run Exploration Ltd.**

Long Run implemented a water flood pilot project with the conversion of three producing wells to water injection wells. In 2016, the Long Run water flood project was described in the paper *Girouxville East Montney Waterflood* (SPE-180453-MS) which was published in the Society of Petroleum Engineers Journal.



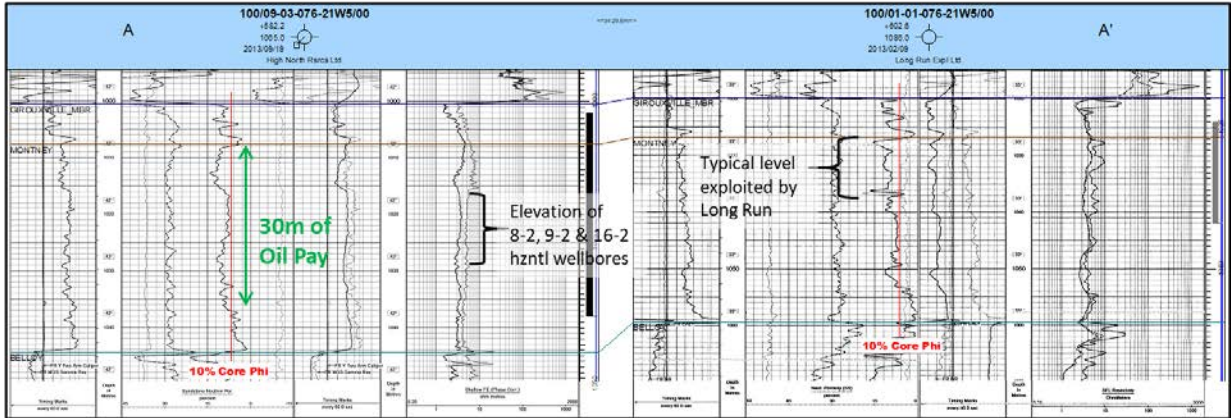
Girouxville Montney Oil & Natural Gas Pools





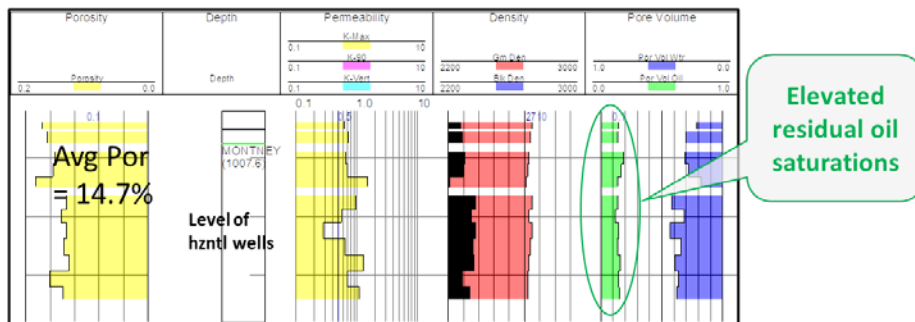
The following cross section shows up to 30 metres of net pay in the Montney Formation at *Girouxville*.

Montney Formation Cross Section



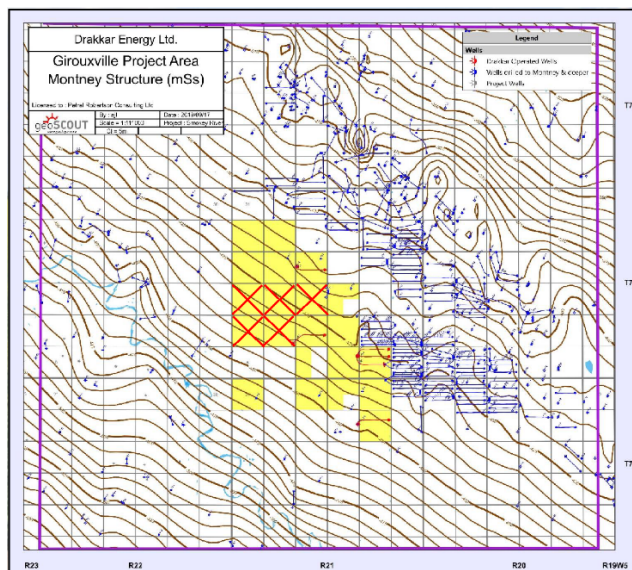
Core analysis on the 00/09-03-076-21W5/0 well shows the presence of oil saturation in the Montney at *Girouxville*.

Drakkar Operated Well 00/09-03-076-21W5/0 – Montney Formation Core Analysis



The Companies' mapped the structure of the Montney Formation on the Property as shown on the following map. Recent expiries are denoted in red. As per the Alberta government's recent announcement, upcoming expiries will be extended by one year upon approval of application.

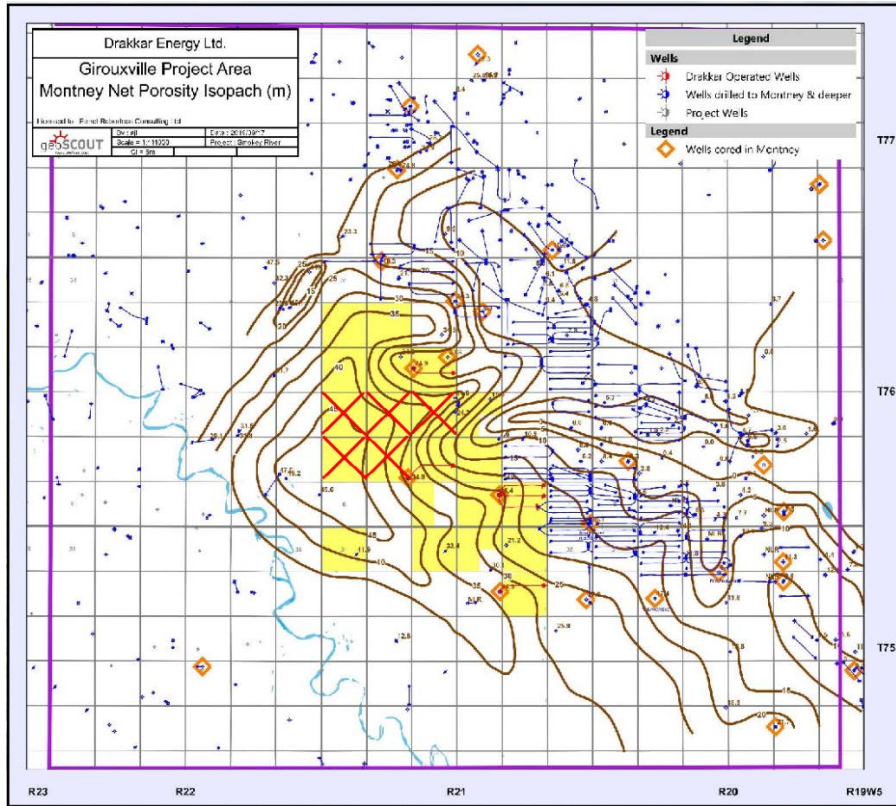
Montney Formation Structure Map





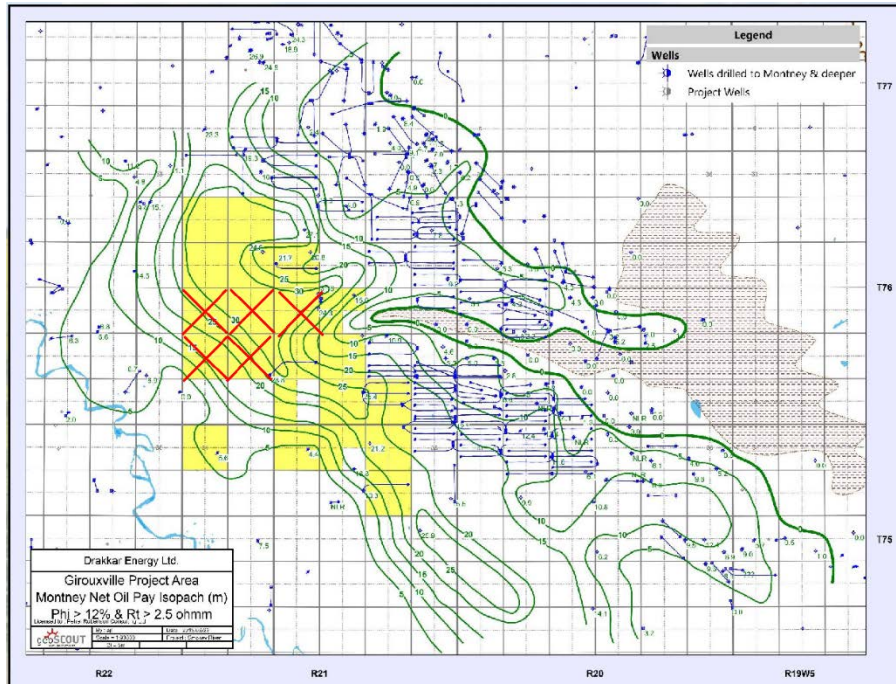
The following isopach map shows the net porosity of the Montney Formation on the Property as mapped by the Companies.

Montney Formation Net Porosity Isopach Map



The following isopach map shows the net oil pay in the Montney Formation on the Property as mapped by the Companies.

Montney Formation Net Oil Pay Map





Girouxville Operations

Three of the Montney oil wells at *Girouxville* (09-02, 16-02 and 08-09) produce to a central battery which is located at 09-03-076-21W5. The 00/16-02-076-21W5/2 well has recently gone down due to operational issues which the Companies are assessing. The 00/08-09-076-21W5/2 well has produced intermittently and is currently shut-in.

The Companies converted the 00/08-02-076-21W5/2 well to a water disposal well in the Cadotte Formation. The majority of solution gas is flared on site with some used in day to day operations.

The Companies do not have the capital required for development of the Property but have an initial five-year drilling plan for full exploitation of the Property which includes up to 30 wells. The current pad sizes are large enough for up to eight wells. The Companies have based the development locations on minimizing surface impact while optimizing position for horizontal locations and flowline tie-ins as well as future water injection.

The first phase of planned capital expenditures would involve drilling up to two horizontal Montney wells and recompleting the 08-09 well for total capital expenditure of \$4.6 to \$6.1 million. The minimum capital expenditure of \$4.6 million assumes a tie-in to offset facilities for oil and emulsion processing, gas gathering and water disposal. The maximum capital expenditure of \$6.1 million assumes retaining control of oil processing and water disposal as well as investing an additional \$1.5 million in battery upgrades and drilling a new salt water disposal well.

The Companies believe this would result in additional production at an initial production rate (IP30) of approximately 800 boe/d (65% oil).

The second phase would be to follow up by drilling up to two additional horizontal Montney wells for total capital expenditure of approximately \$3.6 million which the Companies believe would result in additional production at an IP30 rate of approximately 637 boe/d (65% oil).

The offset operator has an extensive emulsion gathering system at its 13-04-076-20W5 battery. The infrastructure includes processing capacity which is available at the 13-04 battery as well as a natural gas plant located to the north of the battery. The Companies estimate a tie-in would cost approximately \$600,000.

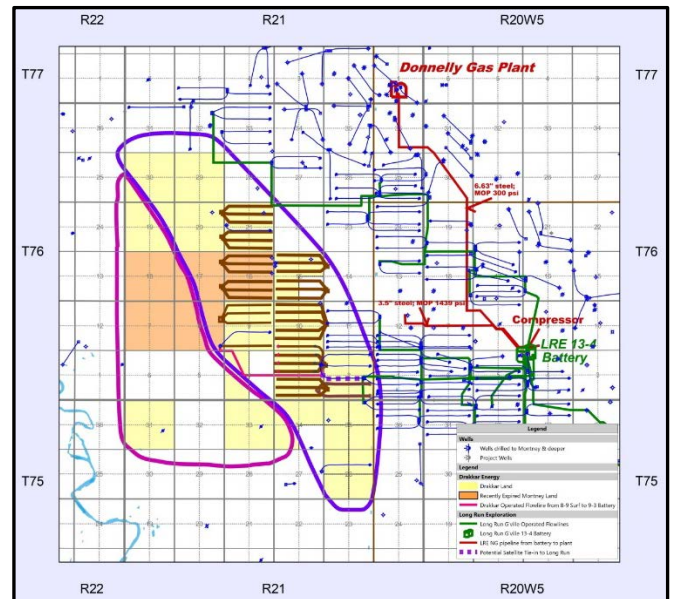
Additionally, as the Property is developed, the Companies see potential for gas-to-power generation from the Property as an alternative to traditional natural gas conservation.

Additional information relating to the operations will be provided to parties that execute a Confidentiality Agreement.

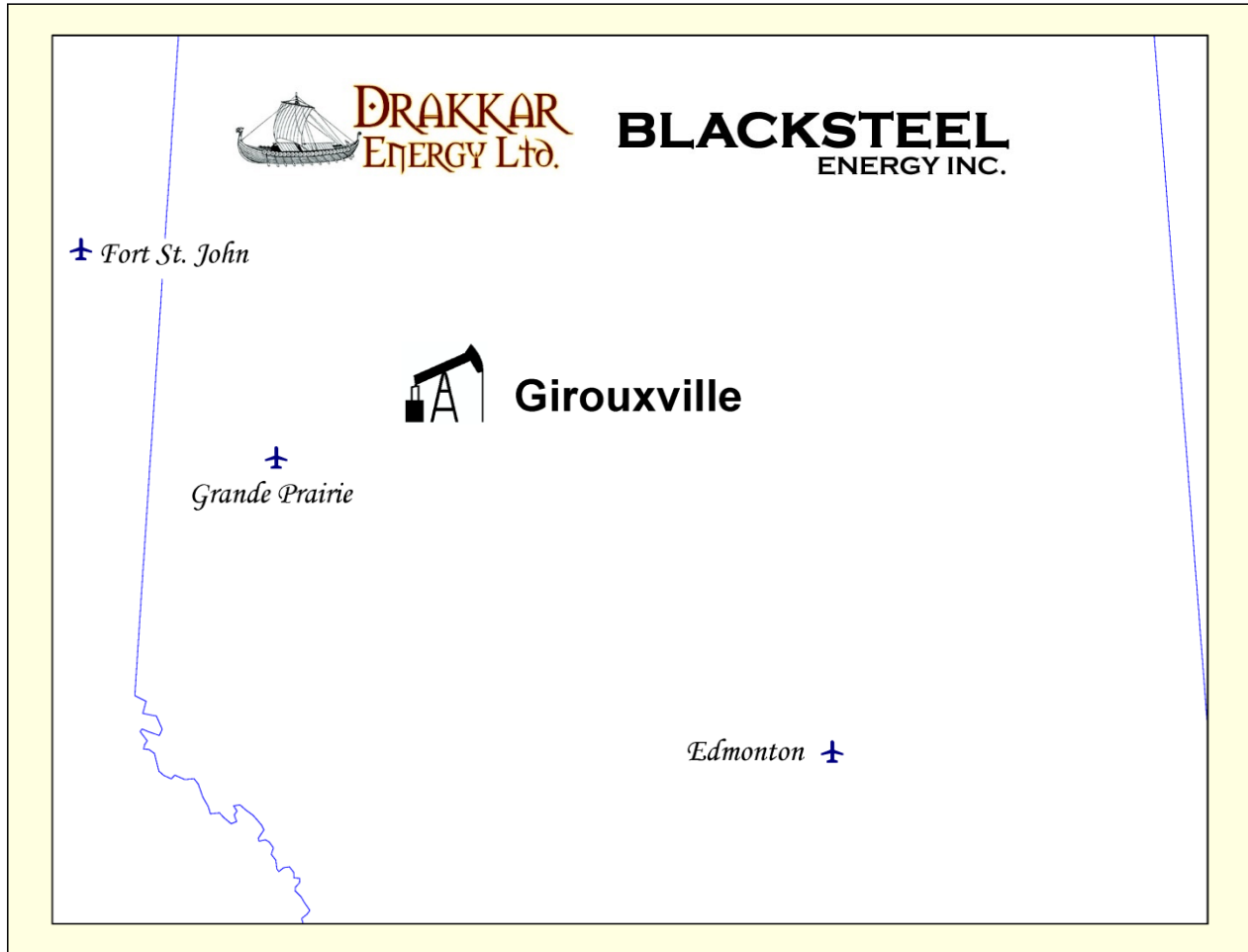
Girouxville LMR as of April 4, 2020

As of April 4, 2020, Drakkar's net deemed asset value associated with the Property was \$2.2 million (deemed assets of \$3,116,932 and deemed liabilities of \$948,731), with an LMR ratio of 3.29.

Girouxville Montney Development Locations



Drakkar Energy Ltd./Blacksteel Energy Inc. Strategic Alternatives Process Spring 2020



CONTACT

Parties wishing to receive a Confidential Information Binder with detailed technical information relating to this opportunity should execute the Confidentiality Agreement which is available on Sayer Energy Advisors' website (www.sayeradvisors.com) and return one copy to Sayer Energy Advisors by courier, email (tpavic@sayeradvisors.com) or fax (403.266.4467).

Included in the Confidential Information Binder is the following: summary land information, most recent net operations summary, the Blacksteel GLJ Report and Drakkar GLJ Report and other relevant corporate, financial and technical information.

To receive further information on the Companies please contact Tom Pavic, Ben Rye or Grazina Palmer at 403.266.6133.



Overview

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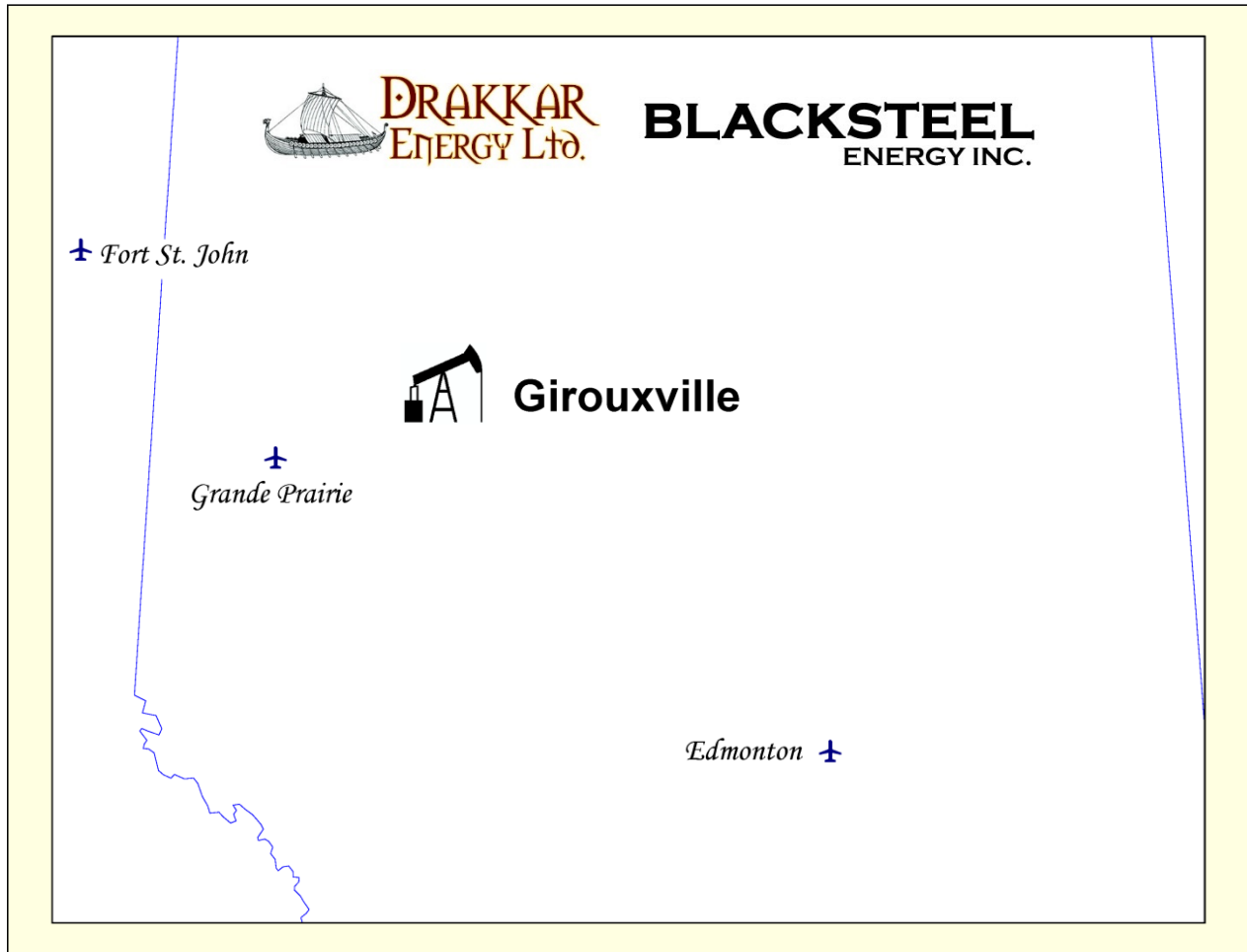
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Blacksteel had estimated total tax pools of over \$9.8 million as of April 30, 2019, including approximately \$4.3 million in non-capital losses.



Overview Map Showing Location of the Divestiture Property





Blacksteel Corporate Overview

Officers	President and Chief Executive Officer	Les Treitz
	Chief Financial Officer	Derek Batorowski

Directors		Les Treitz
		Eugene Chen
		Chris Scase

Capital Structure	Common Shares:	36,227,416
	Options:	1,245,000 @ \$0.10

Tax Pools		April 30, 2019
	Non-Capital Losses	\$4,236,935
	Other Pools	\$5,583,637
		\$9,820,572

Trading Symbol (TSX Venture Exchange)		BEY
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Working Capital Deficit (As at January 31, 2020)		\$1,828,215*
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*Includes \$1,958,000 of convertible debentures which Blacksteel is currently pursuing a conversion of common shares to or an extension of the term.

Bankers	Royal Bank of Canada
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Reserves	GLJ Petroleum Consultants Ltd.
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Auditors	RSM Alberta LLP
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Severance	None
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Solicitors	McLeod Law LLP
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Office Address	2204 6 th Avenue NW, Calgary, Alberta T2N 0W9
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Office Lease	None
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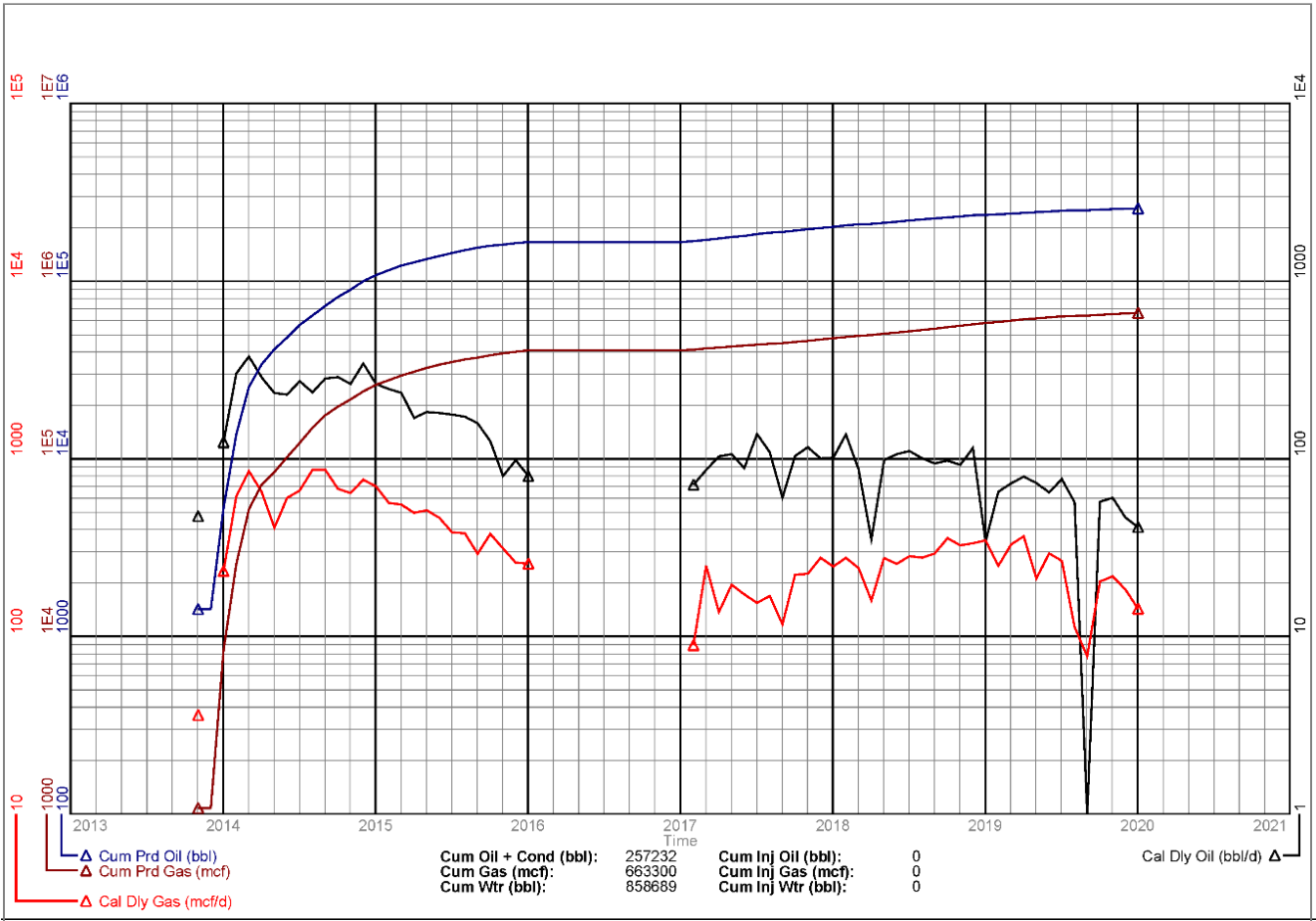
Girouxville Property

Township 75-76, Range 21 W5

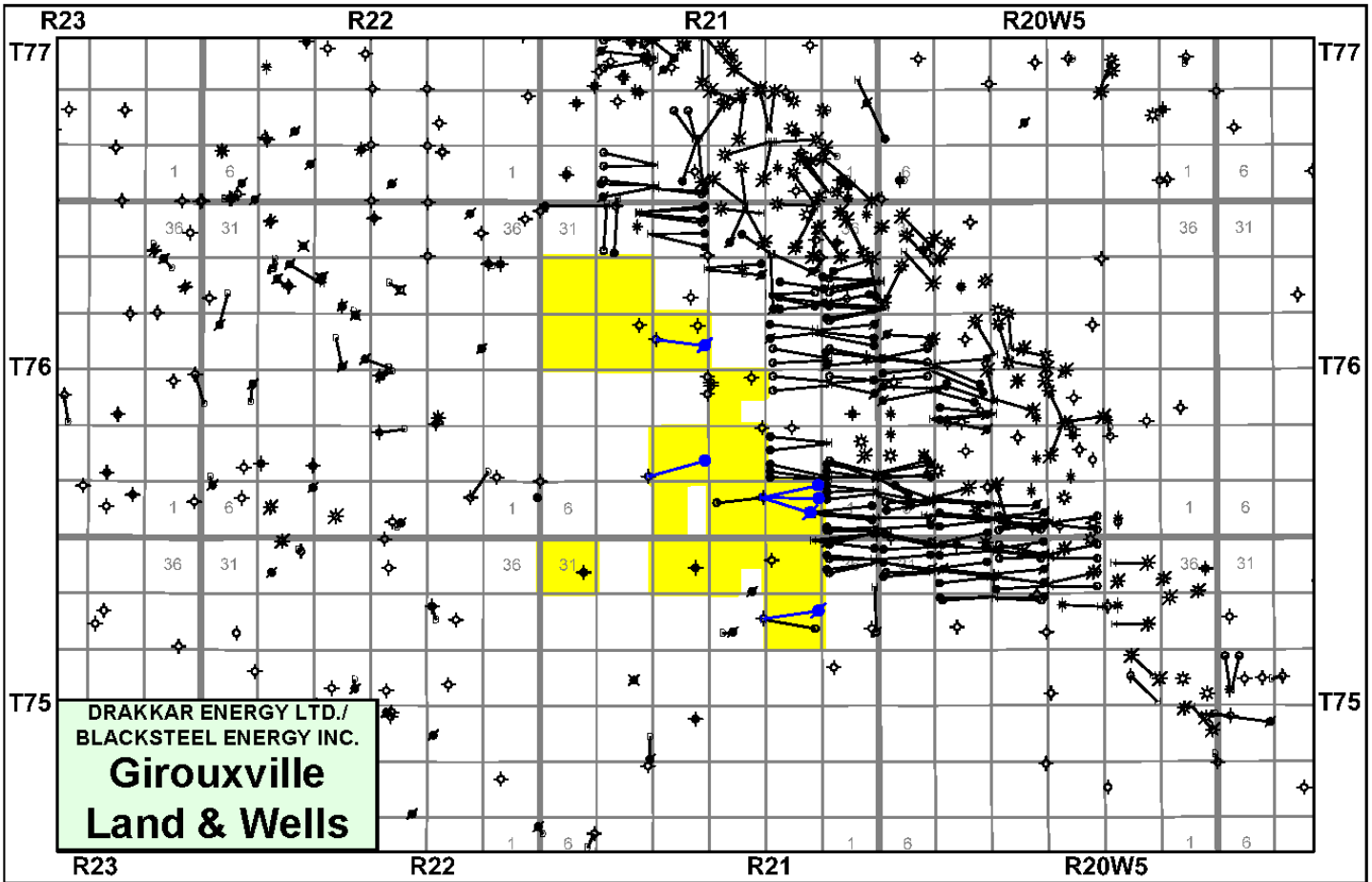
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The previous operator drilled six wells on the land at *Girouxville*. One well has been converted to a water disposal well in the Cadotte Formation. The Property was shut-in by the previous operator in January 2016 and some of the wells were reactivated in February 2017 by the Companies. Current production net to the Companies is approximately 41 barrels of oil per day.

Group Plot of the Companies' Montney Oil Wells Recent Production 41 bbl/d, 143 Mcf/d (flared) Cumulative Production 257 Mbbbl oil, 0.7 Bcf natural gas



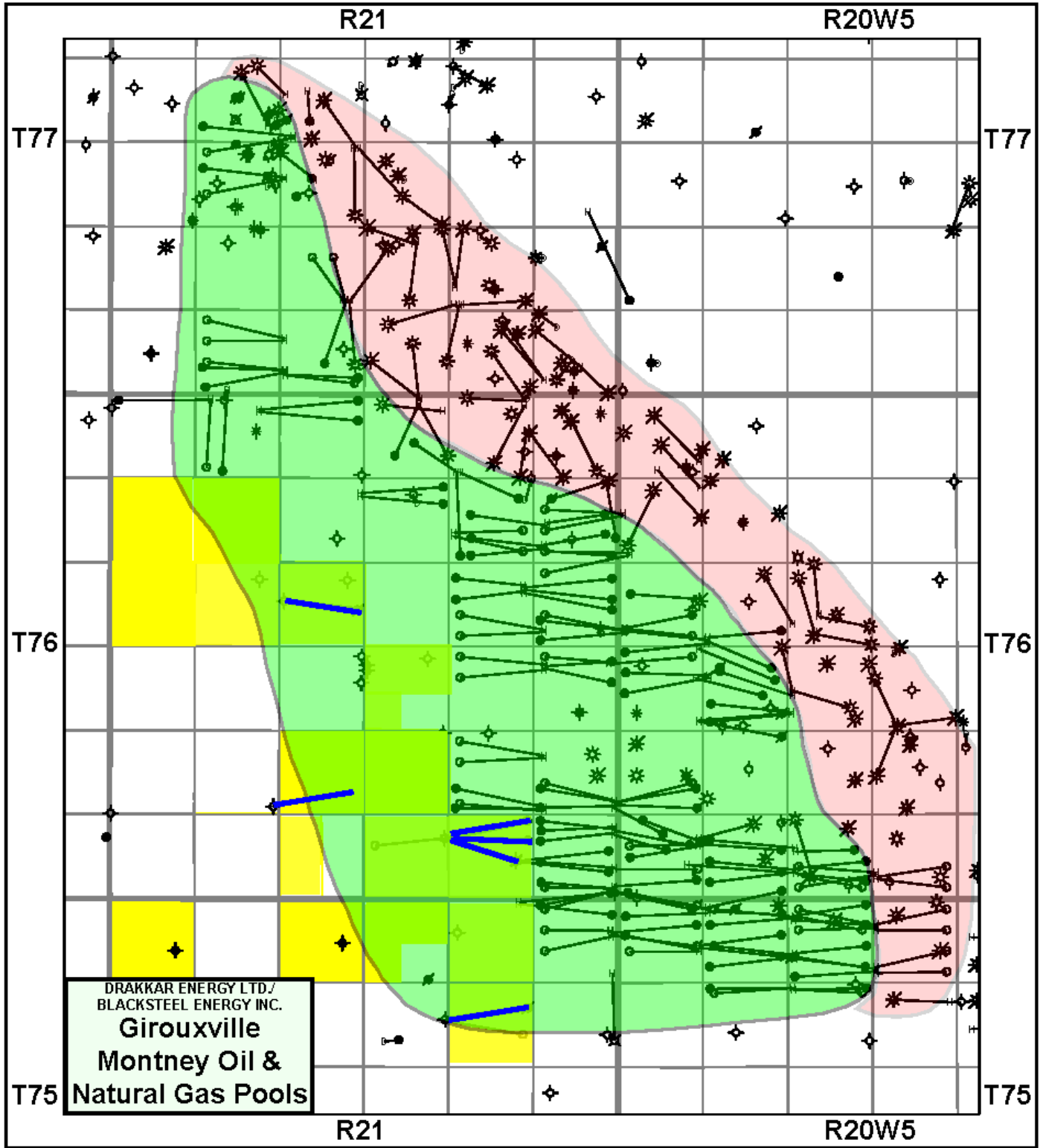
The Companies hold a 100% working interest (70% Drakkar, 30% Blacksteel) in 15 sections of land in the *Girouxville* area, as shown on the following map.



The Property can be fully developed with additional horizontal oil wells, with potentially up to eight wells per section, consistent with the development in the pool to the east of the Property. The Companies also believe the Property is a candidate for further oil recovery through water flooding.

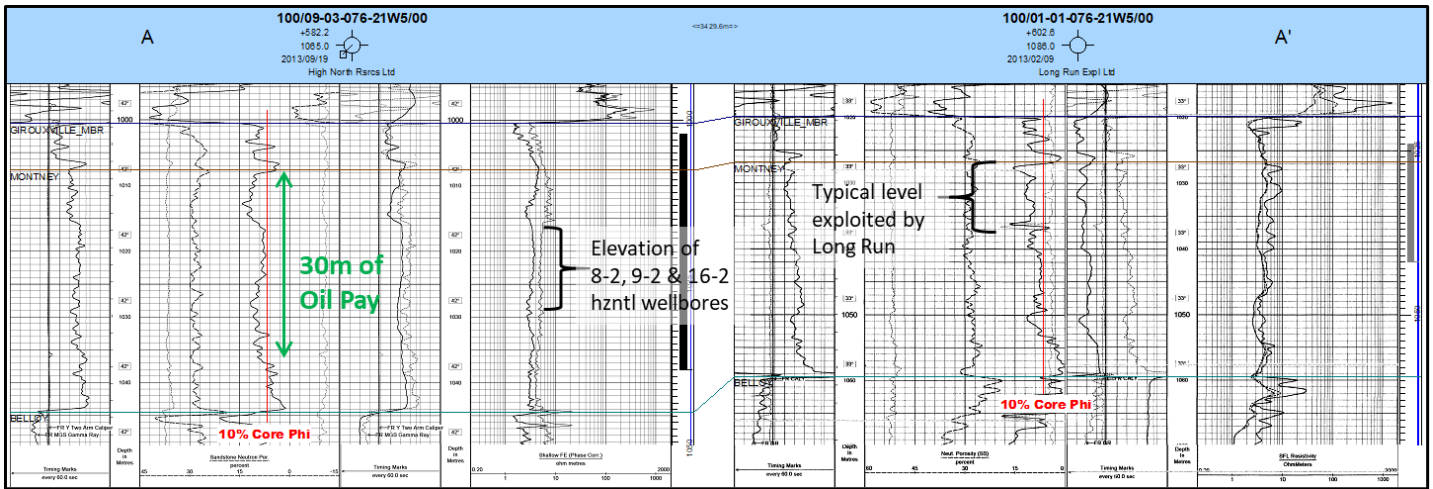
The Property is on trend with the adjacent Montney pool currently being developed by **Long Run Exploration Ltd.** Long Run implemented a water flood pilot project with the conversion of three producing wells to water injection wells. In 2016, the Long Run water flood project was described in the paper *Girouxville East Montney Waterflood* (SPE-180453-MS) which was published in the Society of Petroleum Engineers Journal.

Girouxville Montney Oil & Natural Gas Pools



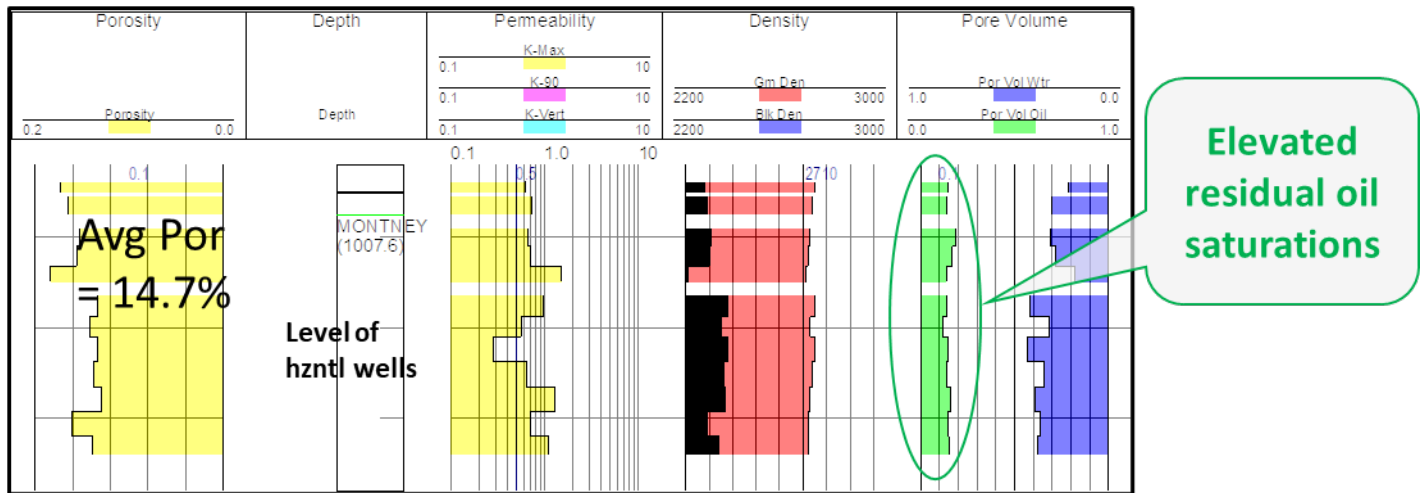
The following cross section shows up to 30 metres of net pay in the Montney Formation at *Girouxville*.

Montney Formation Cross Section



Core analysis on the well at 00/09-03-076-21W5/0 shows the presence of oil saturation in the Montney at *Girouxville*.

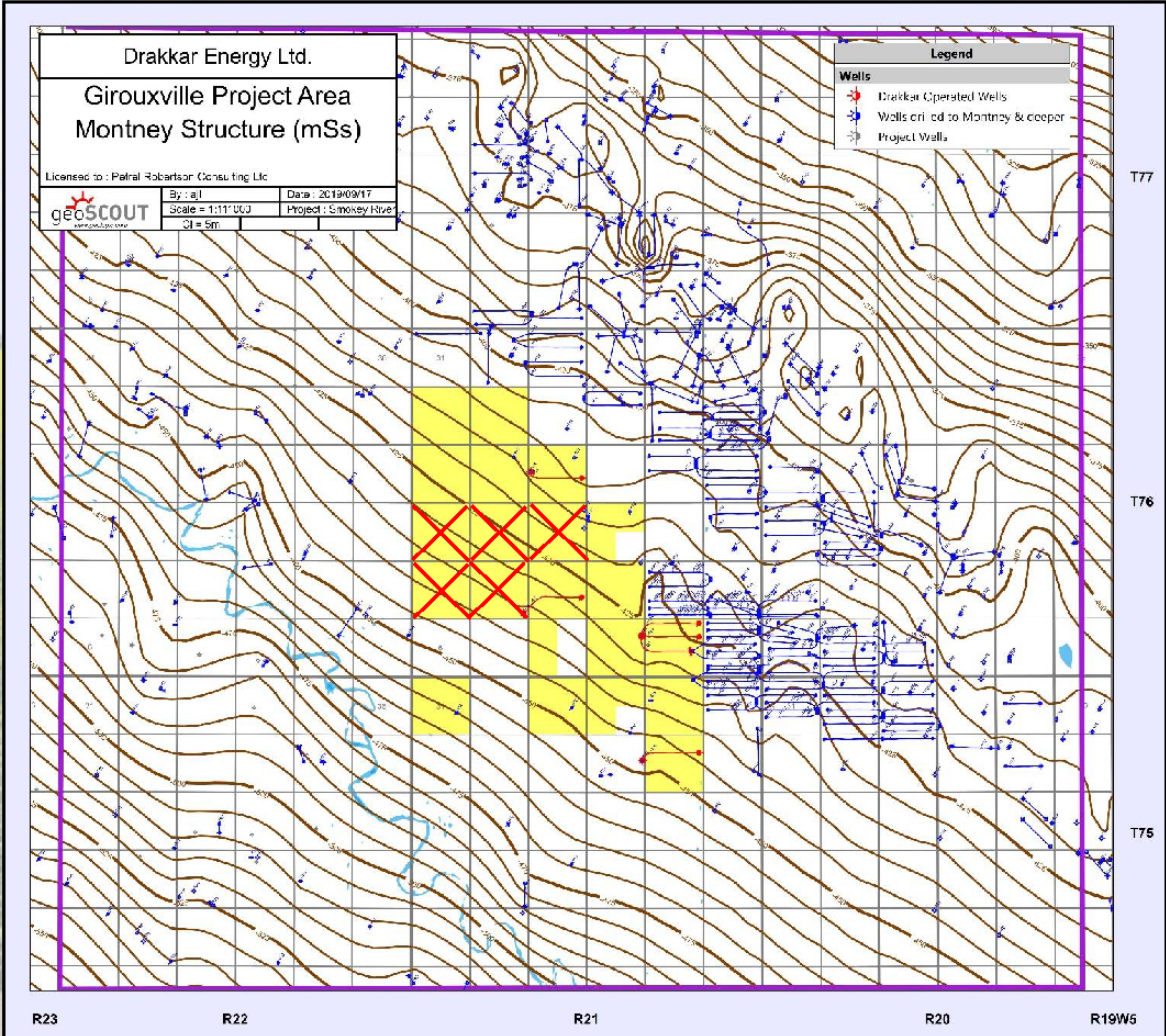
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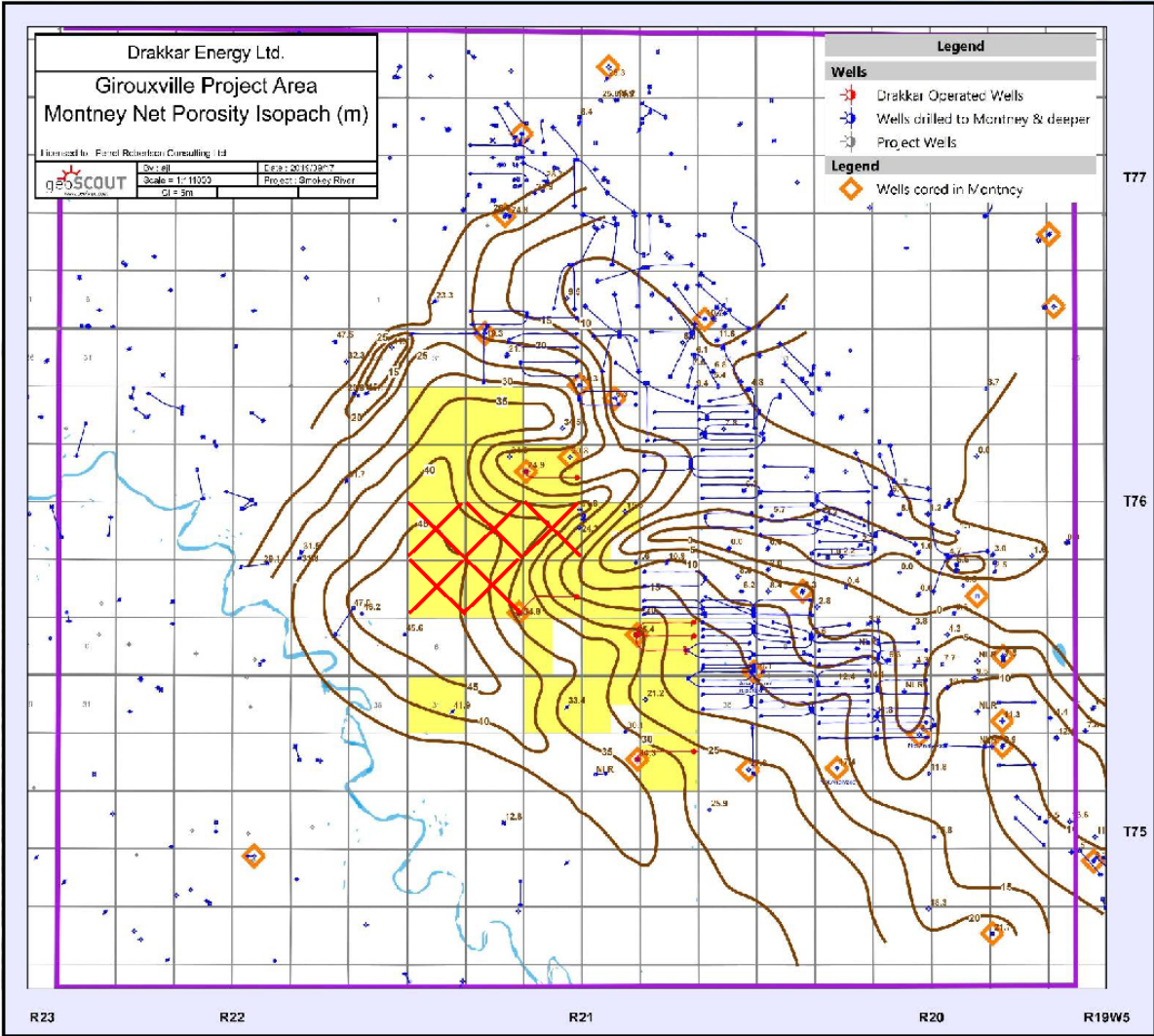
Montney Formation Structure Map





The following isopach map shows the net porosity of the Montney Formation on the Property as mapped by the Companies.

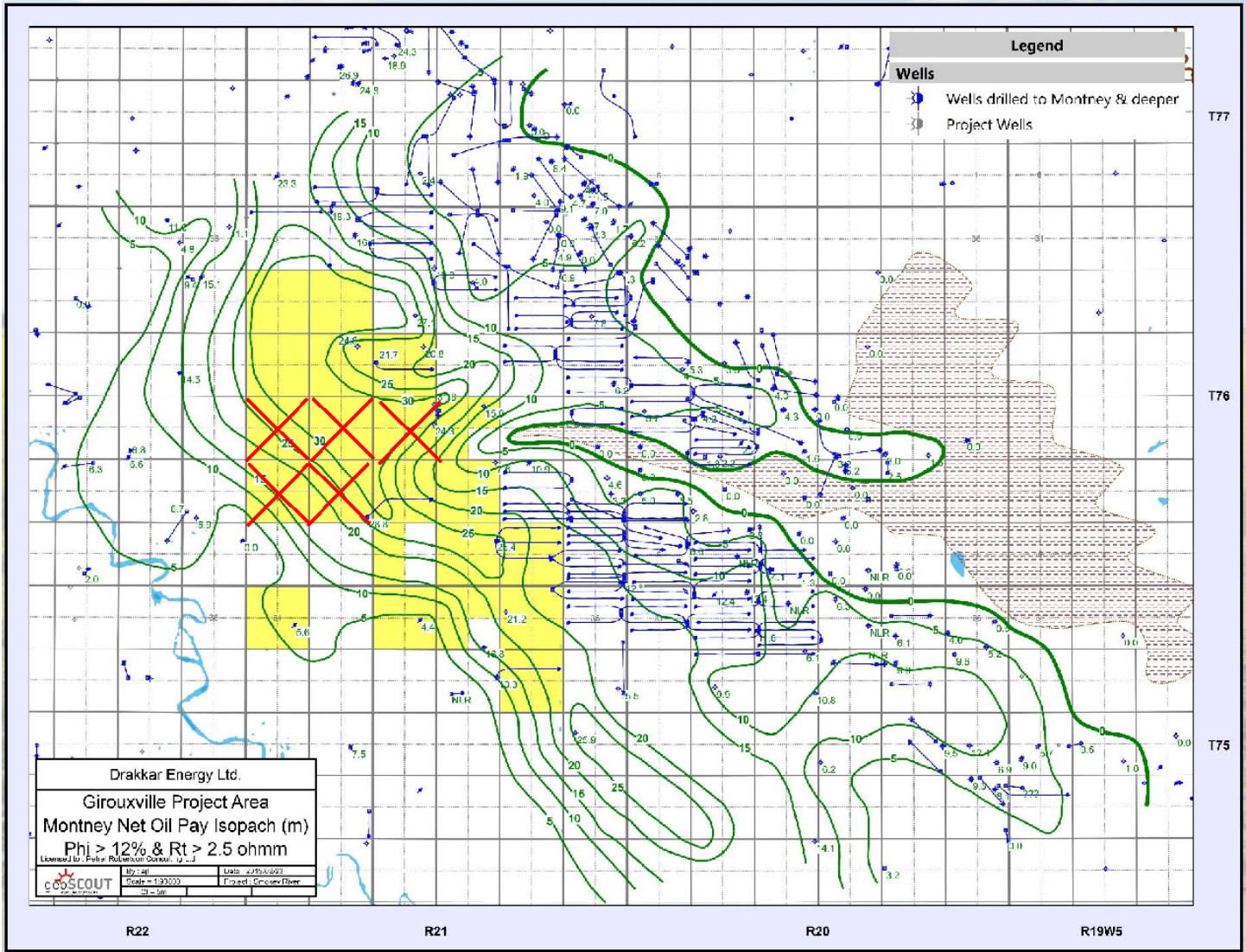
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Montney Formation Net Oil Pay Map



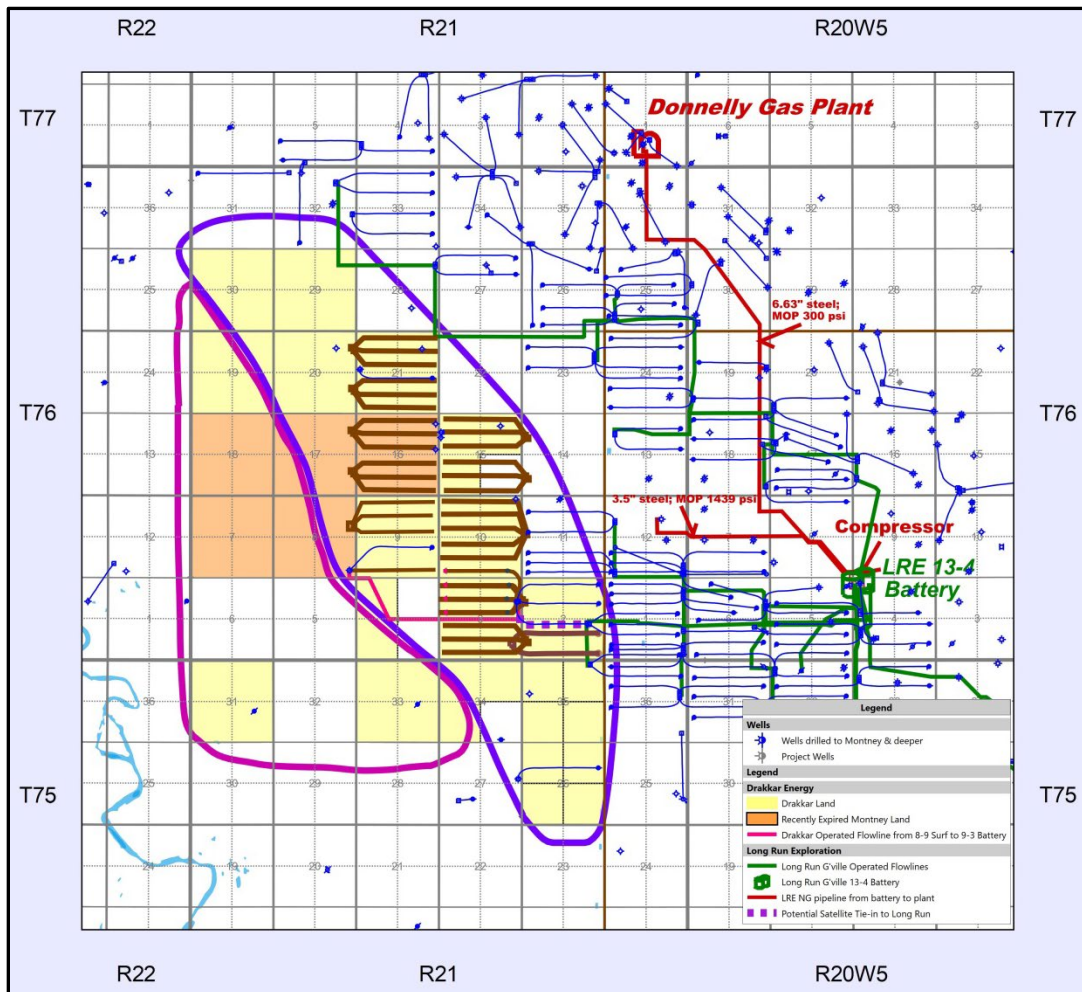
Girouxville Operations

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Girouxville Montney Development Locations

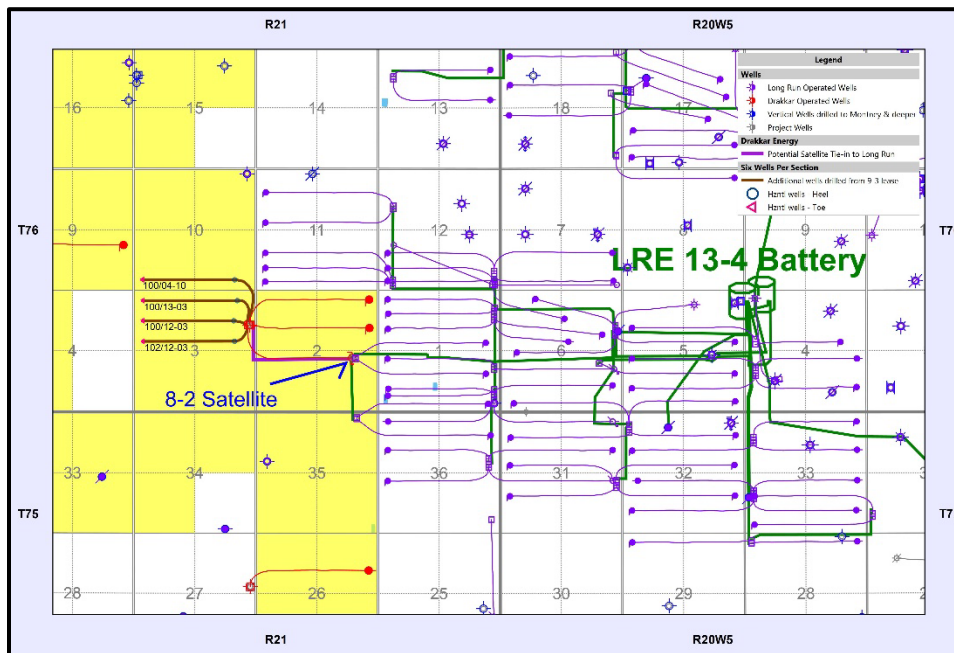


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Additionally, as the Property is developed, the Companies see potential for gas-to-power generation from the Property as an alternative to traditional natural gas conservation.

Additional information relating to the operations will be provided to parties that execute a Confidentiality Agreement.



Girouxville Seismic

The Companies do not have ownership in any seismic data on the lands at *Girouxville*.

Girouxville LMR as of April 4, 2020

As of April 4, 2020, Drakkar’s net deemed asset value was \$2.2 million (deemed assets of \$3,116,932 and deemed liabilities of \$948,731), with an LMR ratio of 3.29.

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$3,116,932	\$948,731	\$2,168,201	3.29

Girouxville Marketing

The Companies have marketing arrangements in place with **Fulcrum Energy Management Inc.** and **Trafigura Canada General Partnership** at *Girouxville*. Oil is primarily trucked from 09-03-076-21W5 and sold at nearby terminals south of Valleyview.



Girouxville Reserves

Drakkar (70% W.I.)

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Probable	235	627	9	349	\$4,160	\$2,909	\$2,091
Total Proved Plus Probable	467	1,224	19	690	\$8,155	\$6,084	\$4,661

The reserve estimates and forecasts of production and revenues for Blacksteel’s properties were prepared within the context of Blacksteel’s year-end evaluation, which was an evaluation of all of Blacksteel’s properties in aggregate. Extraction and use of any individual property evaluation outside of this context may not be appropriate without supplementary due diligence. Values in the “Total” row may not correspond to the total of the values presented due to rounding.



Girouxville Well List

	Location						Status	Formation	Operator	Drakkar/ Blacksteel W.I.
	lsd	sec	twp	rge	mer					
100	09	26	075	21	5	2	Suspended Oil	Montney	Drakkar	100%
100	08	02	076	21	5	2	Water Disp.	Cadotte	Drakkar	100%
100	09	02	076	21	5	0	Oil	Montney	Drakkar	100%
100	16	02	076	21	5	2	Oil	Montney	Drakkar	100%
100	08	09	076	21	5	2	Suspended Oil	Montney	Drakkar	100%
100	08	21	076	21	5	2	Suspended Oil	Montney	Drakkar	100%



CONFIDENTIALITY AGREEMENT

PRIVATE AND CONFIDENTIAL

_____, 20____

Company Name: _____

Street Address: _____

City, Province: _____

Postal Code: _____

Attention: _____

**Re: Drakkar Energy Ltd.
 Strategic Alternatives Process**

In connection with your possible interest in the acquisition of, or completion of a business combination with, Drakkar Energy Inc. (the "Corporation") or the acquisition of the Corporation's assets and/or operations upon some mutually agreeable basis, you acknowledge that we are providing you with certain information about the Corporation which is non-public, strictly confidential and proprietary in nature. All information furnished to you and your directors, officers, employees, agents or representatives, including without limitation, affiliates, attorneys, accountants, consultants and financial advisors (collectively herein referred to as "Representatives") together with any and all analyses, compilations, studies or other documents prepared by your Representatives (whether in paper form, electronic form or any other means of creating or storing information) containing or based upon, in whole or in part, any such furnished information or reflecting your view of or interest in the Corporation is hereafter referred to as the "Information". As a condition precedent to making available to you the Information, we hereby mutually agree as follows:

1. The Information shall be kept strictly confidential and will not be:
 - (a) used in any way materially detrimental to the Corporation;
 - (b) disclosed, divulged, published, transcribed or transferred, by you or by any of your Representatives, in whole or in part, without the prior written consent of the Corporation, which consent may be arbitrarily withheld or delayed; or
 - (c) used by you or your Representatives other than in connection with the transactions described above.

Moreover, you agree to provide the Information only to those Representatives who need to know the Information for the purposes of evaluating the transactions referred above, are informed by you of the confidential nature of the Information and who agree to be bound by the terms of this Agreement. You agree to keep a list of all Representatives to whom any Information has been delivered and to provide that list on request. You agree to be responsible and jointly and severally liable for any breach of this Agreement by you or your Representatives.

You will make all reasonable, necessary and appropriate efforts to safeguard the Information from disclosure to anyone other than as permitted hereby. The obligation to keep the information confidential shall be limited to a period of one (1) year after the date of this Agreement or upon the consummation of a transaction contemplated above, whichever is the first to occur.

2. Until our joint announcement of a proposed transaction as described above, you will direct your Representatives not to disclose to any other person that the Information has been made available, or that discussions and negotiations are taking place concerning a possible transaction, including the status thereof or the terms of this Agreement. The other "person" as used in this letter shall be broadly interpreted to include, without limitation, any individual, corporation, company, group, partnership or other entity. The restrictions contained in this Agreement shall not apply to approaches made by either of us or our Representatives, to government officials in Canada or the United States in connection with our preparation of a proposal for any transaction as described above or disclosure required by law, provided that we mutually agree to limit such disclosure to the minimum Information required and will, where possible, make such disclosure subject to an obligation of confidentiality. Nothing in this Agreement will restrict either of us from making a press release with respect to a transaction if, in its reasonable opinion, a material change in our affairs has occurred and such disclosure is required by law. In such event, the party intending to make a press release will to the extent reasonably possible consult with the other party as to the intended contents of such press release, prior to issuing such press release.
3. You agree to keep a record of each location of the Information. If either party hereto determines that it does not wish to enter into a transaction contemplated above, it will promptly advise the other of that fact. In such case, or in the event that we do not effect a transaction as contemplated above or if a party hereto requests for any reason whatsoever, you will promptly, upon receiving written request, deliver to the Corporation, all Information furnished to you or your Representatives constituting the Information, without retaining copies thereof. In such event, all other documents constituting the Information (whether in paper form, electronic form or any other means of creating or storing information) will be destroyed.
4. The term "Information" does not include information which:
 - (a) is or becomes generally available to the public other than as a result of the disclosure by you or any one to whom you or any of your Representatives transmit any Information; or
 - (b) is or becomes available to you or your Representatives on a non-confidential basis and not in contravention of applicable law from a source which is represented to you or your Representatives that it is entitled to disclose it to you or your Representatives on such basis; or
 - (c) is already in your possession, or in the possession of any of your Representatives, provided that such Information is not subject to another confidentiality or non disclosure agreement with, or other obligation of secrecy to, a third party; or
 - (d) becomes available to you or your Representatives under any joint operating or other agreement which you have with us.
5. During the period commencing on the date of this Agreement and terminating upon the date of one (1) year after the date of this Agreement or consummation of a transaction contemplated above, whichever is the first to occur, you will not, nor shall any of your affiliates (which shall mean any person or entity, directly or indirectly, through one or more intermediaries, controlling

or controlled by or under, control with you), unless in any such case specifically invited to do so by the board of directors or management of the Corporation as provided below:

- (a) acquire or agree to acquire, or make any proposal to acquire, in any manner, any securities or property of the Corporation;
- (b) commence or tender an offer to acquire any securities of the Corporation;
- (c) solicit proxies from the Corporation's shareholders or form, join or in any way participate in a group that is a "control person" as such term is interpreted in the Securities Act (Alberta);
- (d) engage in any discussions or negotiations, or enter into any agreement, or otherwise act in concert with any third party in order to propose or effect any acquisition or business combination transaction with respect to the Corporation except nothing herein shall prohibit you from engaging in any discussions or negotiations with a third party concerning:
 - (i) financing with respect to the transactions as contemplated herein; or
 - (ii) a joint proposal by us and such third party of any transaction involving the other which would be permitted to propose a loan in accordance with the terms of this Agreement;
- (e) solicit, employ or engage, directly or indirectly, any person currently employed or engaged as a consultant by the Corporation provided, however, that nothing contained herein shall prohibit either of us from making the proposal to the board of directors or management of the Corporation so long as such proposal is made pursuant to procedures established by the board of directors or management prior to such proposal;

and further provided that the restrictions contained in this paragraph shall terminate in any event one (1) year after the date of this Agreement.

6. You acknowledge that the Corporation does not, and the Corporation's representatives do not, make any representation or warranty as to the accuracy or completeness of the Information, whether express or implied, arising at law, by statute or in equity, with respect to the Information including but without limitation any warranty or representation of accuracy, completeness, merchantability, condition or fitness of the Information, or with respect to the assets or undertakings of the Corporation to which the Information makes reference.
7. In the event that either you or anyone to whom you transmit the Information pursuant to this Agreement is required by law to disclose any of the Information, you will provide the Corporation with prompt written notice so that we may seek a protection order or other appropriate remedy. In any event, you or your Representatives will furnish only that portion of the Information which is legally required and we will mutually use our best efforts to obtain reliable assurances that the Information will be kept confidential.
8. You acknowledge and agree that the Corporation will not have any adequate remedy at law and would be respectively irreparably harmed in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, you agree that the Corporation shall be entitled to injunctive relief to prevent a breach of this Agreement and to specifically enforce the terms and provisions hereof in addition to any other remedy to which the Corporation may be entitled at law or in equity.

9. It is further understood and agreed that no failure or delay by either of us in exercising any rights, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise of any right, power or privilege hereunder.
10. This Agreement shall be governed and construed in accordance with the laws of the Province of Alberta specifically to agreements made and to be performed within such Province and the parties hereto irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta in respect of any matter relating in any way to this Agreement.

Yours very truly,

Drakkar Energy Ltd.

Mr. Keith Macdonald
President & CEO

I certify that no changes have been made to this Confidentiality Agreement that have not been clearly marked and initialed.

RECIPIENT COMPANY NAME

OFFICER'S SIGNATURE

OFFICER'S PRINTED NAME & TITLE

CONFIDENTIAL INFORMATION DELIVERY OPTIONS: (please check one)

____ Electronic or ____ Hard copy (binder)

NAME OF CONTACT PERSON TO FORWARD INFORMATION

CONTACT ADDRESS

TELEPHONE NUMBER

EMAIL ADDRESS

Option to Attach Business Card Here:

CONFIDENTIALITY AGREEMENT

PRIVATE AND CONFIDENTIAL

_____, 20____

Company Name: _____

Street Address: _____

City, Province: _____

Postal Code: _____

Attention: _____

**Re: Blacksteel Energy Inc.
 Strategic Alternatives Process**

In connection with your possible interest in the acquisition of, or completion of a business combination with, Blacksteel Energy Inc. (the "Corporation") or the acquisition of the Corporation's assets and/or operations upon some mutually agreeable basis, you acknowledge that we are providing you with certain information about the Corporation which is non-public, strictly confidential and proprietary in nature. All information furnished to you and your directors, officers, employees, agents or representatives, including without limitation, affiliates, attorneys, accountants, consultants and financial advisors (collectively herein referred to as "Representatives") together with any and all analyses, compilations, studies or other documents prepared by your Representatives (whether in paper form, electronic form or any other means of creating or storing information) containing or based upon, in whole or in part, any such furnished information or reflecting your view of or interest in the Corporation is hereafter referred to as the "Information". As a condition precedent to making available to you the Information, we hereby mutually agree as follows:

1. The Information shall be kept strictly confidential and will not be:
 - (a) used in any way materially detrimental to the Corporation;
 - (b) disclosed, divulged, published, transcribed or transferred, by you or by any of your Representatives, in whole or in part, without the prior written consent of the Corporation, which consent may be arbitrarily withheld or delayed; or
 - (c) used by you or your Representatives other than in connection with the transactions described above.

Moreover, you agree to provide the Information only to those Representatives who need to know the Information for the purposes of evaluating the transactions referred above, are informed by you of the confidential nature of the Information and who agree to be bound by the terms of this Agreement. You agree to keep a list of all Representatives to whom any Information has been delivered and to provide that list on request. You agree to be responsible and jointly and severally liable for any breach of this Agreement by you or your Representatives.

You will make all reasonable, necessary and appropriate efforts to safeguard the Information from disclosure to anyone other than as permitted hereby. The obligation to keep the information confidential shall be limited to a period of one (1) year after the date of this Agreement or upon the consummation of a transaction contemplated above, whichever is the first to occur.

2. Until our joint announcement of a proposed transaction as described above, you will direct your Representatives not to disclose to any other person that the Information has been made available, or that discussions and negotiations are taking place concerning a possible transaction, including the status thereof or the terms of this Agreement. The other “person” as used in this letter shall be broadly interpreted to include, without limitation, any individual, corporation, company, group, partnership or other entity. The restrictions contained in this Agreement shall not apply to approaches made by either of us or our Representatives, to government officials in Canada or the United States in connection with our preparation of a proposal for any transaction as described above or disclosure required by law, provided that we mutually agree to limit such disclosure to the minimum Information required and will, where possible, make such disclosure subject to an obligation of confidentiality. Nothing in this Agreement will restrict either of us from making a press release with respect to a transaction if, in its reasonable opinion, a material change in our affairs has occurred and such disclosure is required by law. In such event, the party intending to make a press release will to the extent reasonably possible consult with the other party as to the intended contents of such press release, prior to issuing such press release.
3. You agree to keep a record of each location of the Information. If either party hereto determines that it does not wish to enter into a transaction contemplated above, it will promptly advise the other of that fact. In such case, or in the event that we do not effect a transaction as contemplated above or if a party hereto requests for any reason whatsoever, you will promptly, upon receiving written request, deliver to the Corporation, all Information furnished to you or your Representatives constituting the Information, without retaining copies thereof. In such event, all other documents constituting the Information (whether in paper form, electronic form or any other means of creating or storing information) will be destroyed.
4. The term “Information” does not include information which:
 - (a) is or becomes generally available to the public other than as a result of the disclosure by you or any one to whom you or any of your Representatives transmit any Information; or
 - (b) is or becomes available to you or your Representatives on a non-confidential basis and not in contravention of applicable law from a source which is represented to you or your Representatives that it is entitled to disclose it to you or your Representatives on such basis; or
 - (c) is already in your possession, or in the possession of any of your Representatives, provided that such Information is not subject to another confidentiality or non disclosure agreement with, or other obligation of secrecy to, a third party; or
 - (d) becomes available to you or your Representatives under any joint operating or other agreement which you have with us.
5. During the period commencing on the date of this Agreement and terminating upon the date of one (1) year after the date of this Agreement or consummation of a transaction contemplated above, whichever is the first to occur, you will not, nor shall any of your affiliates (which shall mean any person or entity, directly or indirectly, through one or more intermediaries, controlling

or controlled by or under, control with you), unless in any such case specifically invited to do so by the board of directors or management of the Corporation as provided below:

- (a) acquire or agree to acquire, or make any proposal to acquire, in any manner, any securities or property of the Corporation;
- (b) commence or tender an offer to acquire any securities of the Corporation;
- (c) solicit proxies from the Corporation's shareholders or form, join or in any way participate in a group that is a "control person" as such term is interpreted in the Securities Act (Alberta);
- (d) engage in any discussions or negotiations, or enter into any agreement, or otherwise act in concert with any third party in order to propose or effect any acquisition or business combination transaction with respect to the Corporation except nothing herein shall prohibit you from engaging in any discussions or negotiations with a third party concerning:
 - (i) financing with respect to the transactions as contemplated herein; or
 - (ii) a joint proposal by us and such third party of any transaction involving the other which would be permitted to propose a loan in accordance with the terms of this Agreement;
- (e) solicit, employ or engage, directly or indirectly, any person currently employed or engaged as a consultant by the Corporation provided, however, that nothing contained herein shall prohibit either of us from making the proposal to the board of directors or management of the Corporation so long as such proposal is made pursuant to procedures established by the board of directors or management prior to such proposal;

and further provided that the restrictions contained in this paragraph shall terminate in any event one (1) year after the date of this Agreement.

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7. In the event that either you or anyone to whom you transmit the Information pursuant to this Agreement is required by law to disclose any of the Information, you will provide the Corporation with prompt written notice so that we may seek a protection order or other appropriate remedy. In any event, you or your Representatives will furnish only that portion of the Information which is legally required and we will mutually use our best efforts to obtain reliable assurances that the Information will be kept confidential.
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9. It is further understood and agreed that no failure or delay by either of us in exercising any rights, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise of any right, power or privilege hereunder.
10. This Agreement shall be governed and construed in accordance with the laws of the Province of Alberta specifically to agreements made and to be performed within such Province and the parties hereto irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta in respect of any matter relating in any way to this Agreement.

Yours very truly,

Blacksteel Energy Inc.

Mr. Les Treitz
President & CEO

I certify that no changes have been made to this Confidentiality Agreement that have not been clearly marked and initialed.

RECIPIENT COMPANY NAME

OFFICER'S SIGNATURE

OFFICER'S PRINTED NAME & TITLE

CONFIDENTIAL INFORMATION DELIVERY OPTIONS: (please check one)

____ Electronic or ____ Hard copy (binder)

NAME OF CONTACT PERSON TO FORWARD INFORMATION

CONTACT ADDRESS

TELEPHONE NUMBER

EMAIL ADDRESS

Option to Attach Business Card Here: