



Overview

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.

Drakkar is a privately-held company with no staff or severance obligations, with all services being provided by contractors and no office lease obligation.

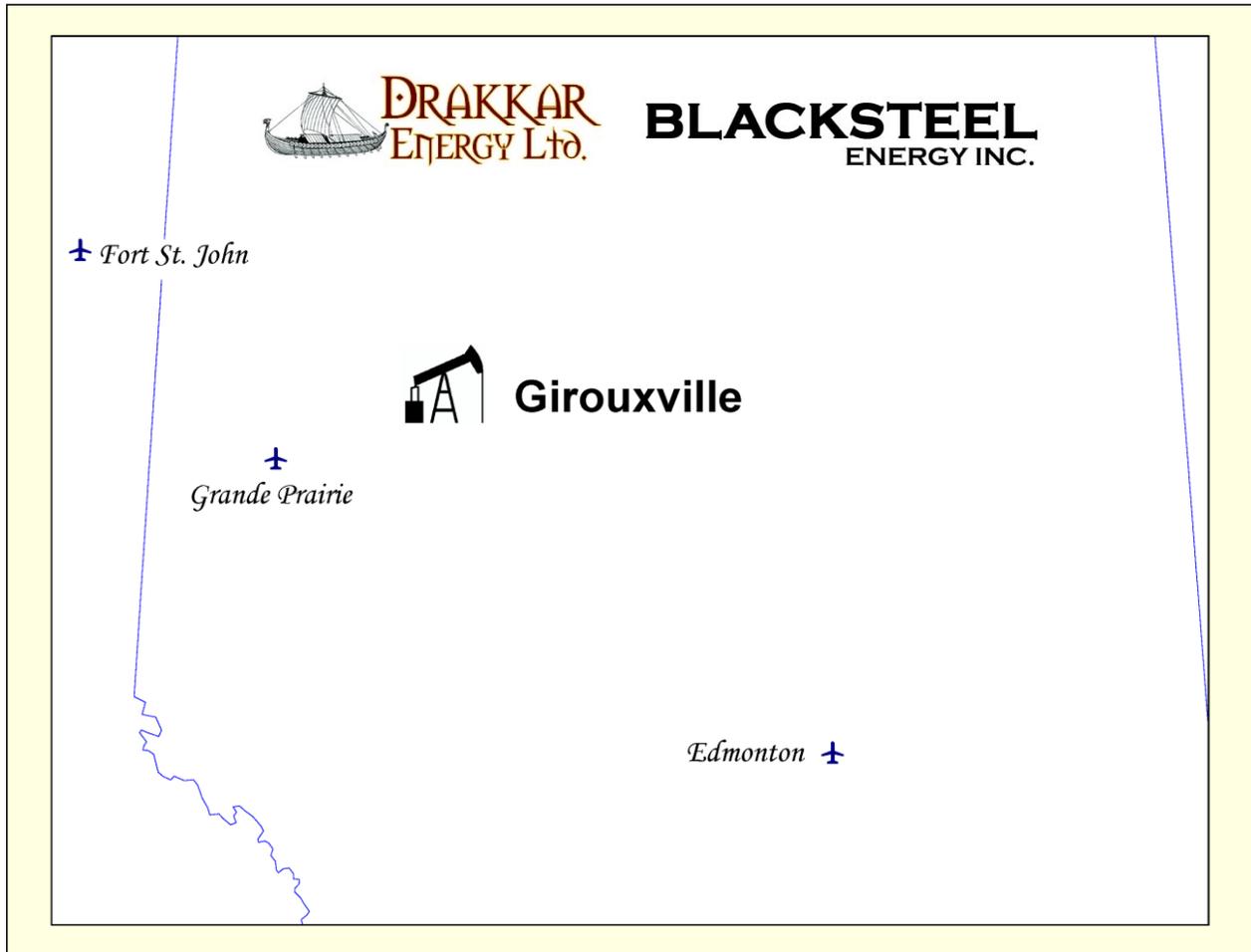
Drakkar has estimated total tax pools of over \$13.5 million as of June 30, 2019, including approximately \$7.8 million in non-capital losses. Additional corporate information relating to Drakkar will be provided to parties once a confidentiality agreement has been signed.

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.



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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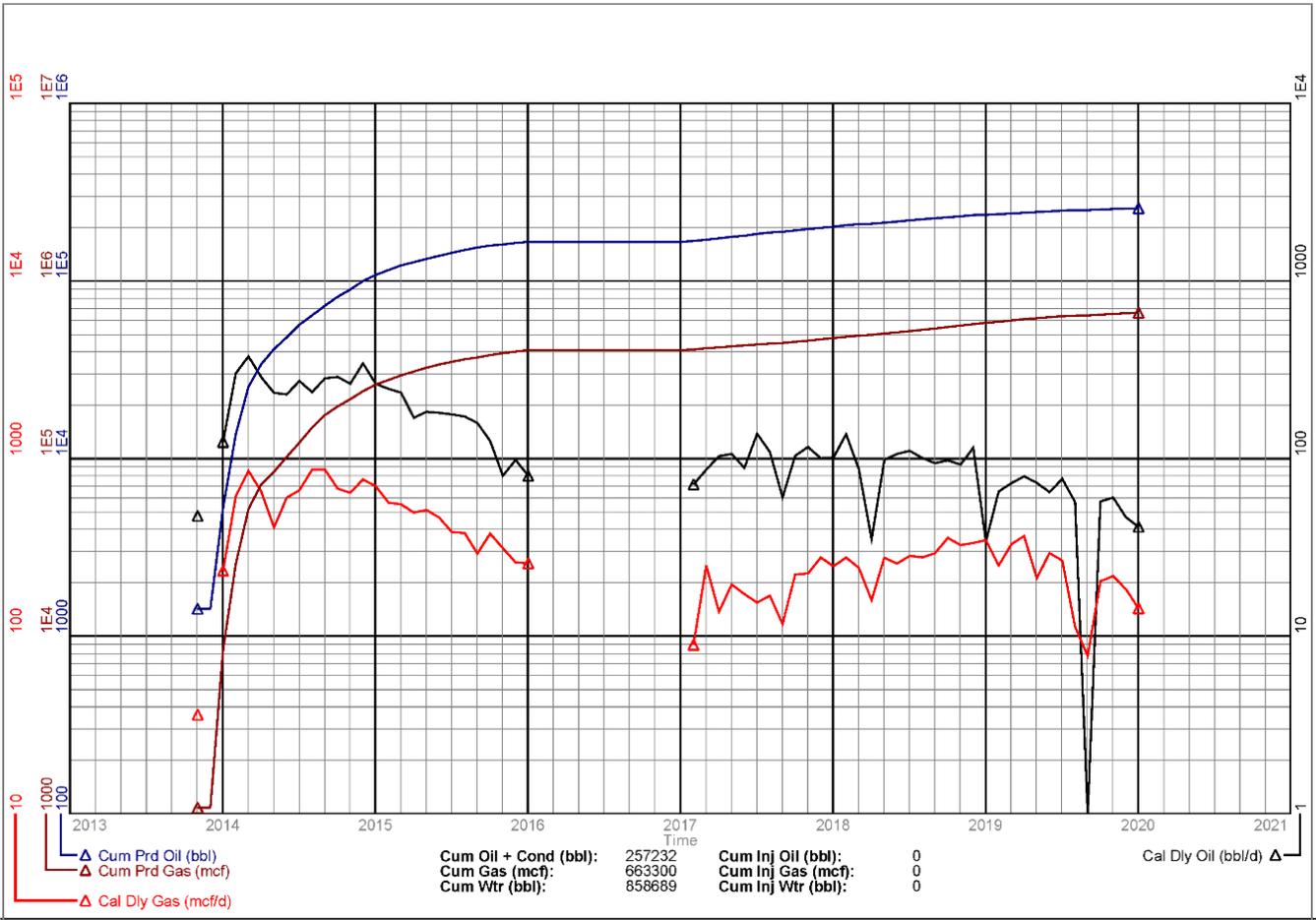
Girouxville Property

Township 75-76, Range 21 W5

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 and is the sole asset of both Companies.

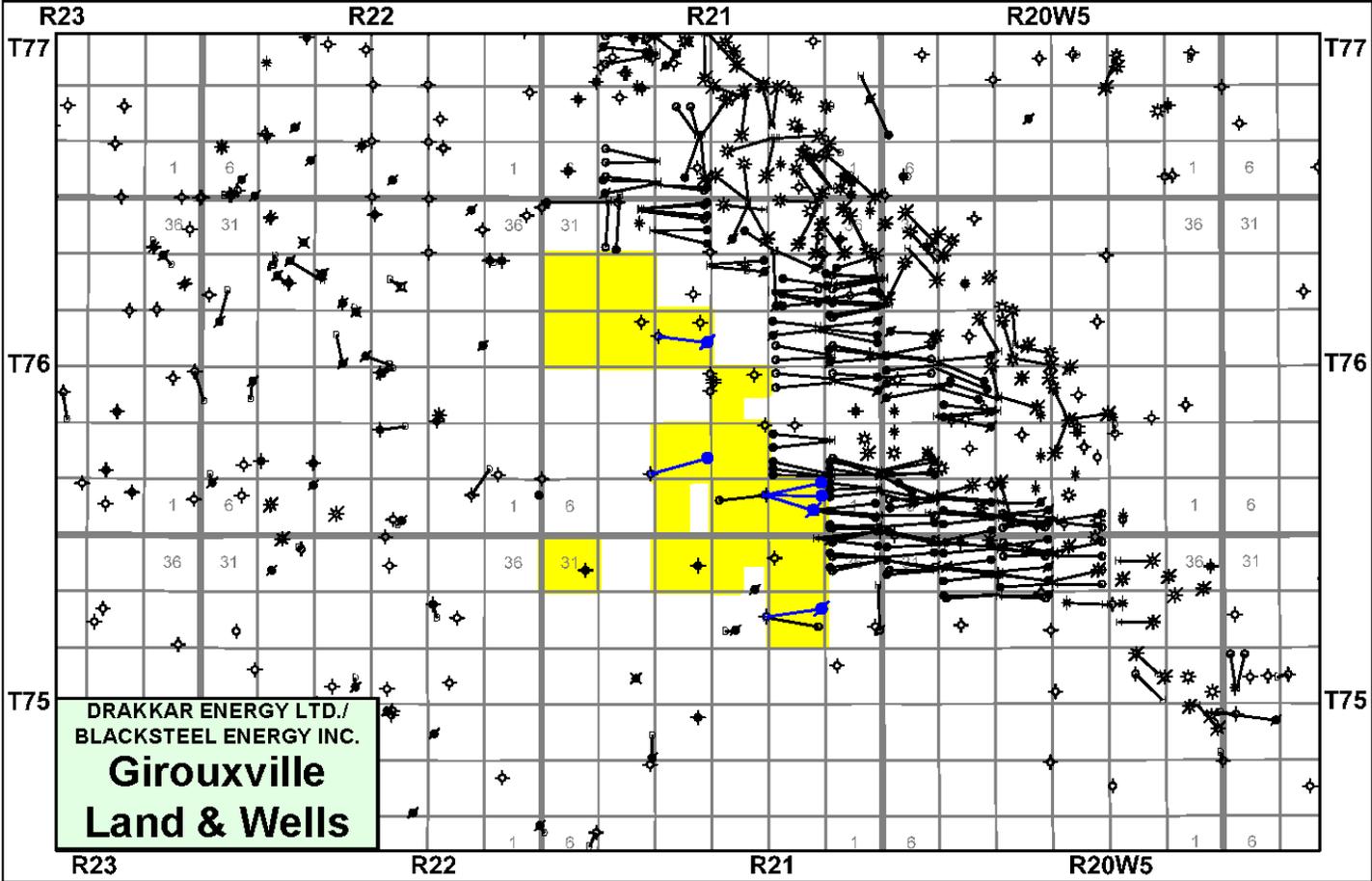
The previous operator drilled six wells on the land at *Girouxville*. One well has been converted to a water disposal well in the Cadotte Formation. The Property was shut-in by the previous operator in January 2016 and some of the wells were reactivated in February 2017 by the Companies. Current production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

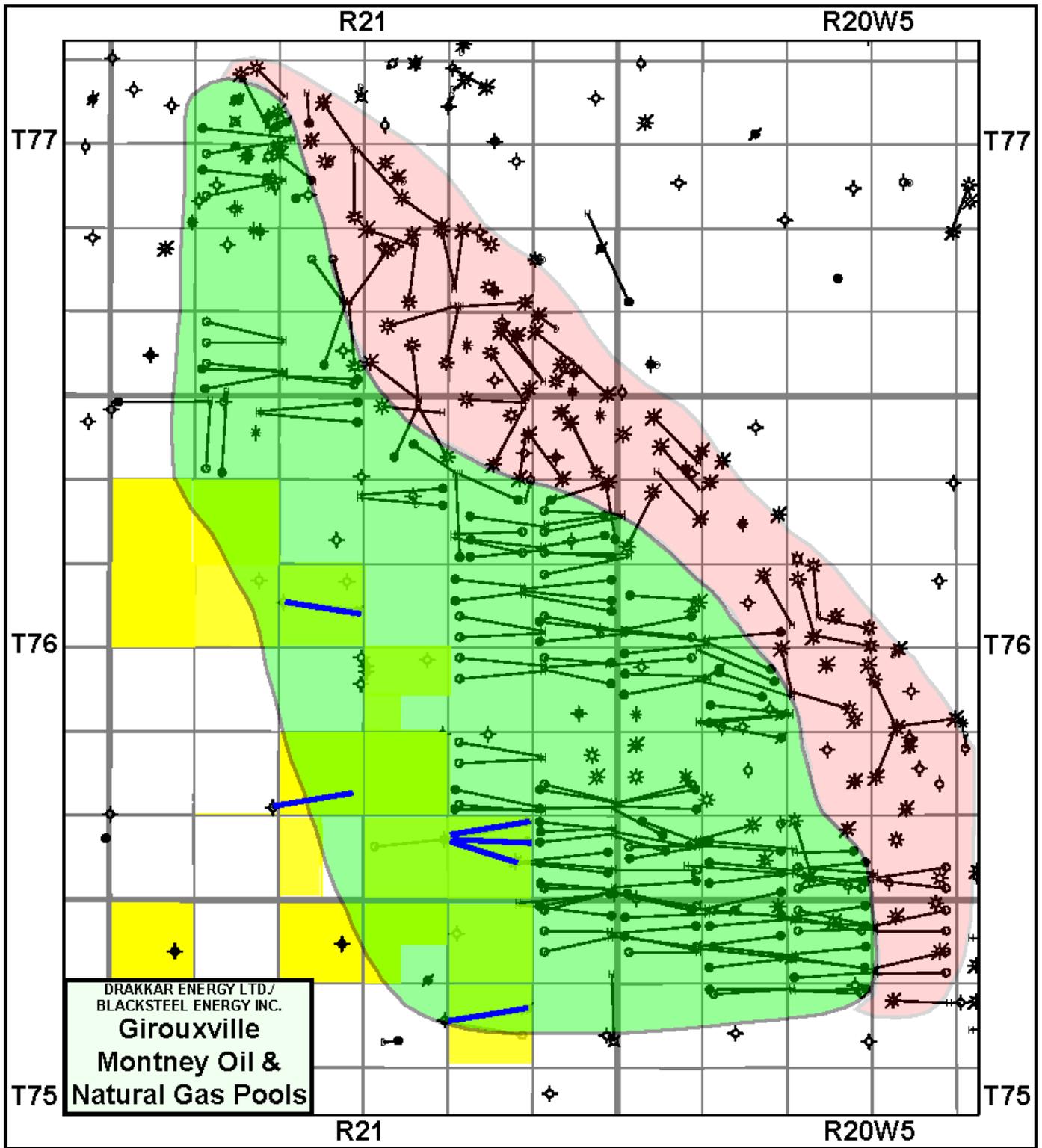


The Property can be fully developed with additional horizontal oil wells, with potentially up to eight wells per section, consistent with the development in the pool to the east of the Property. The Companies also believe the Property is a candidate for further oil recovery through water flooding.

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.

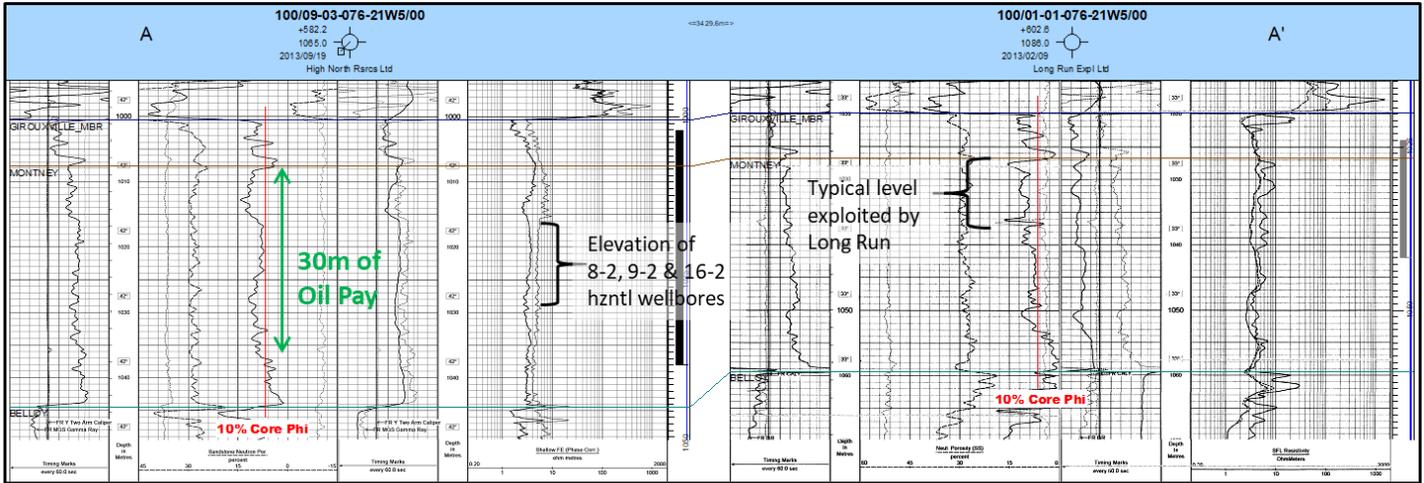


Girouxville Montney Oil & Natural Gas Pools



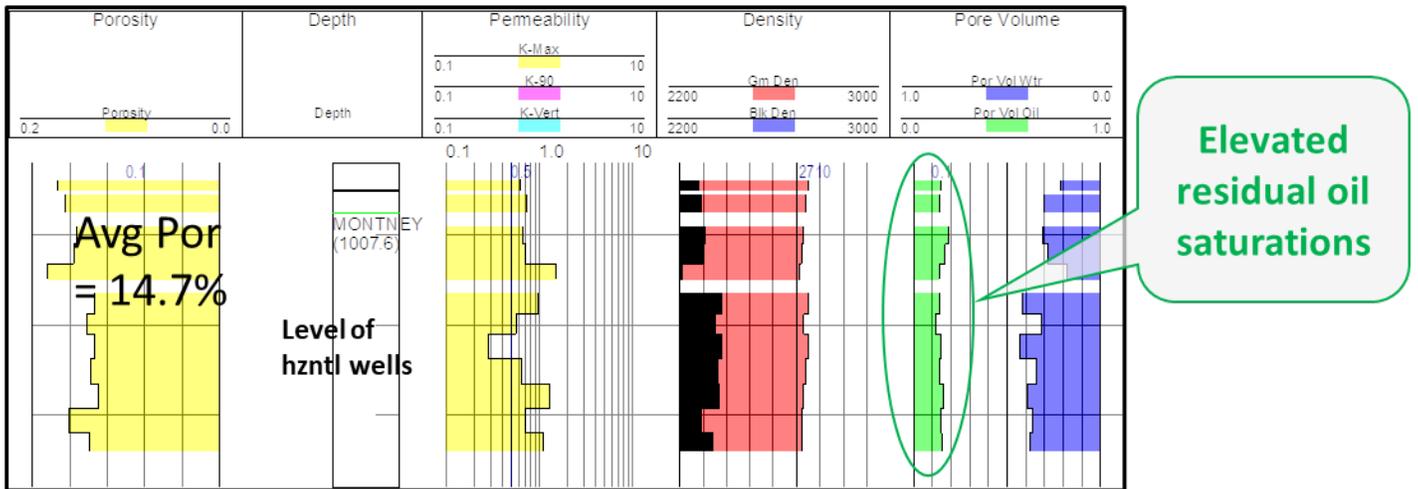
The following cross section shows up to 30 metres of net pay in the Montney Formation at *Girouxville*.

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*.

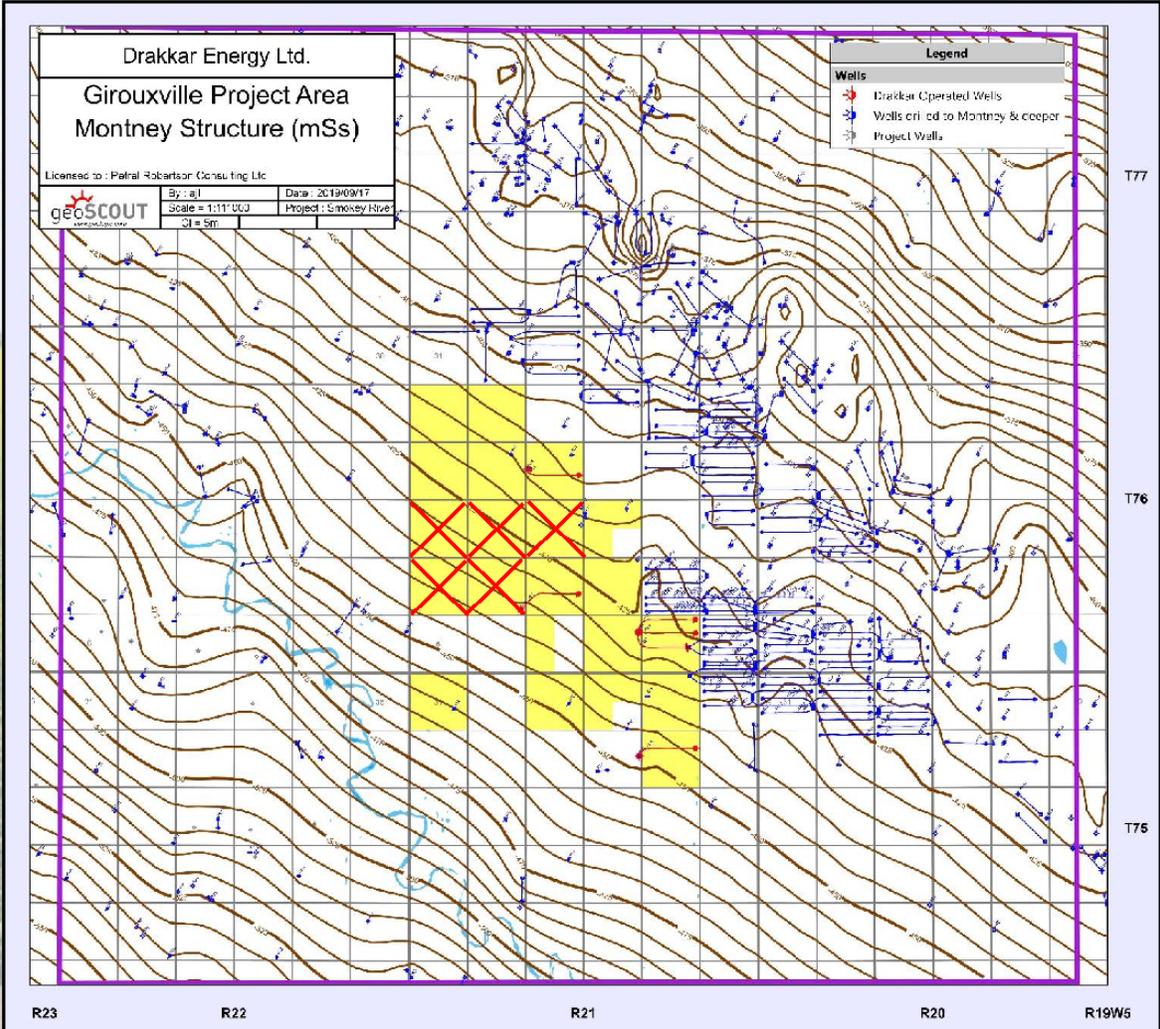
Drakkar Operated Well 00/09-03-076-21W5/0 – Montney Formation Core Analysis





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.

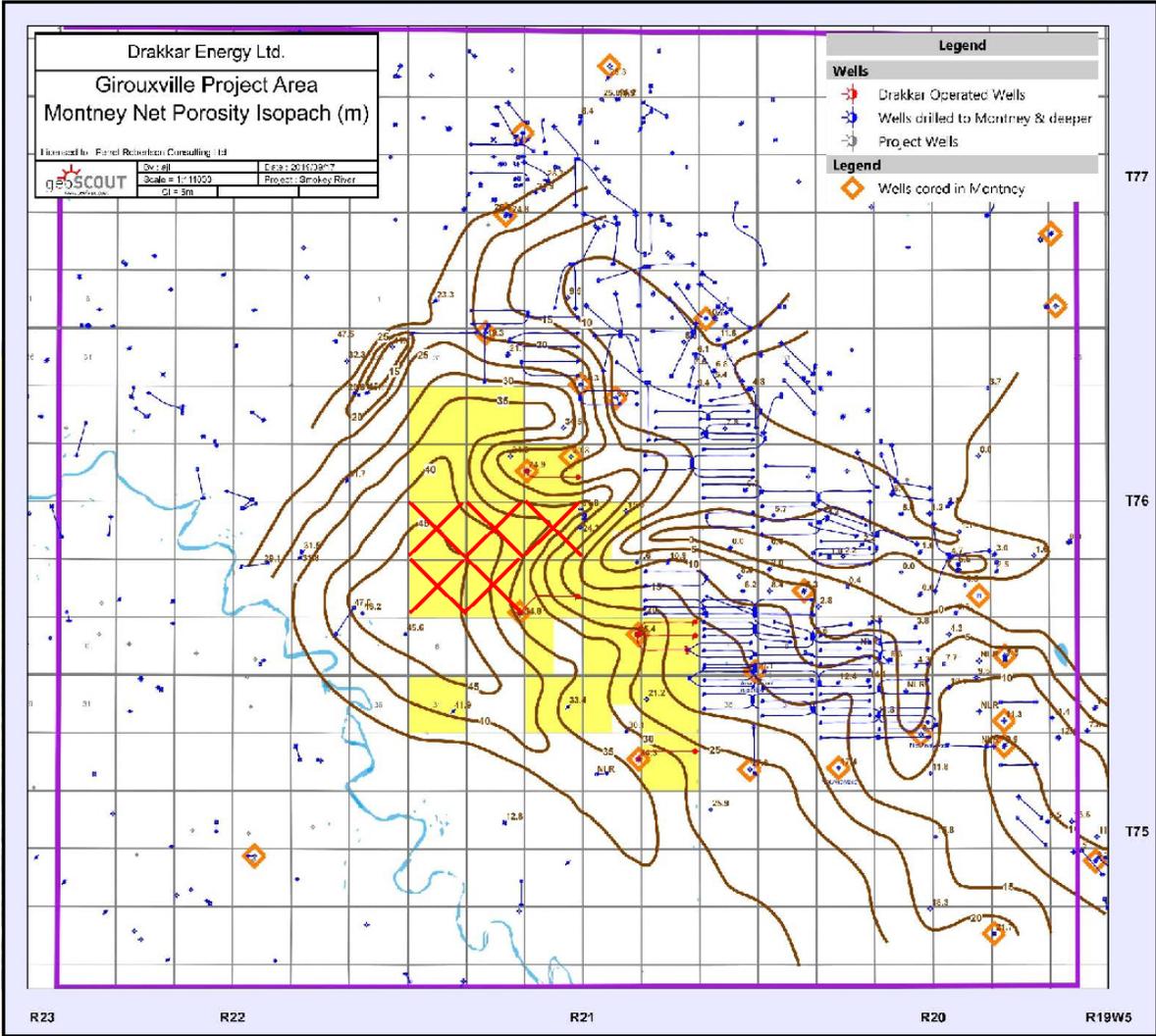
Montney Formation Structure Map





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

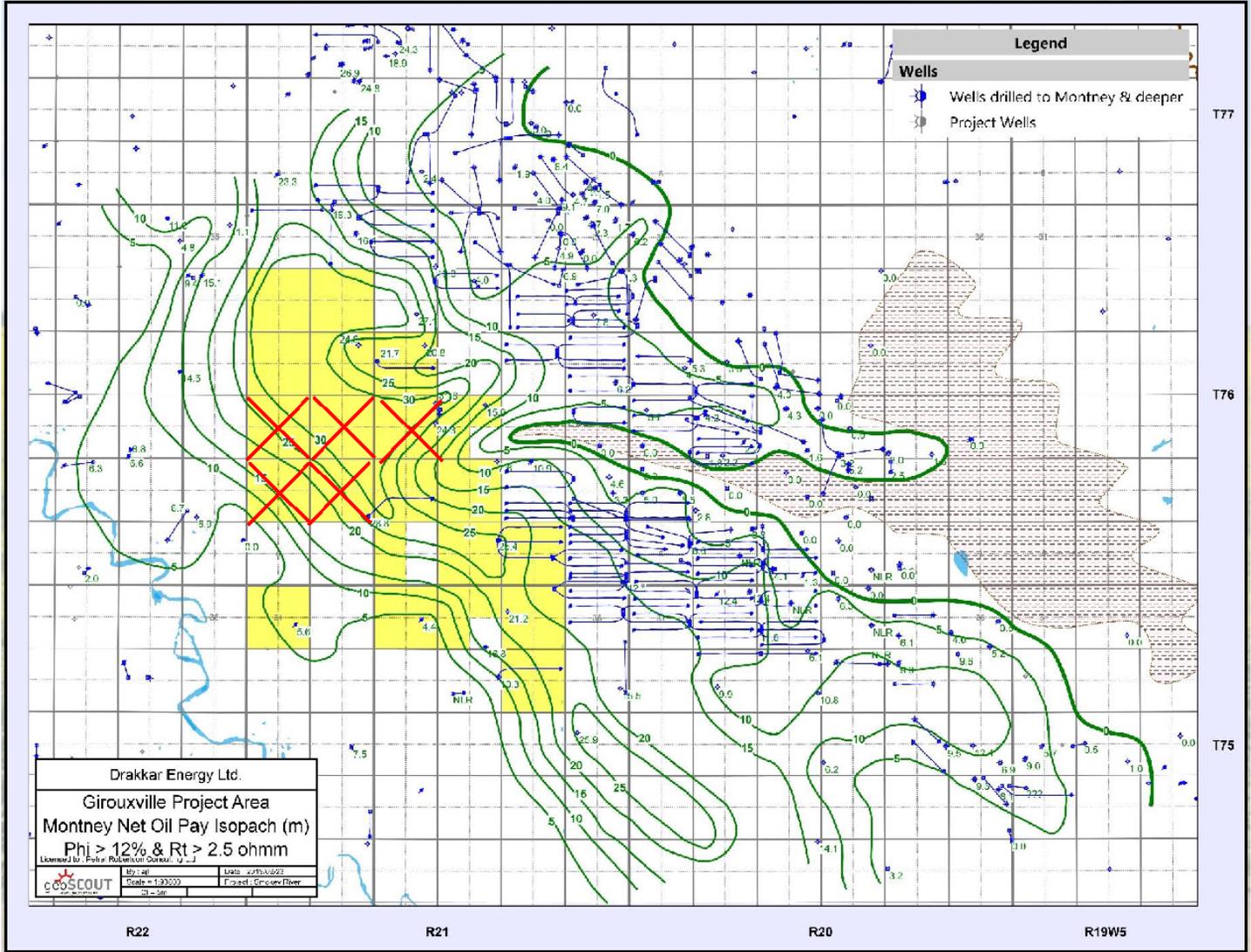
Montney Formation Net Porosity Isopach Map





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



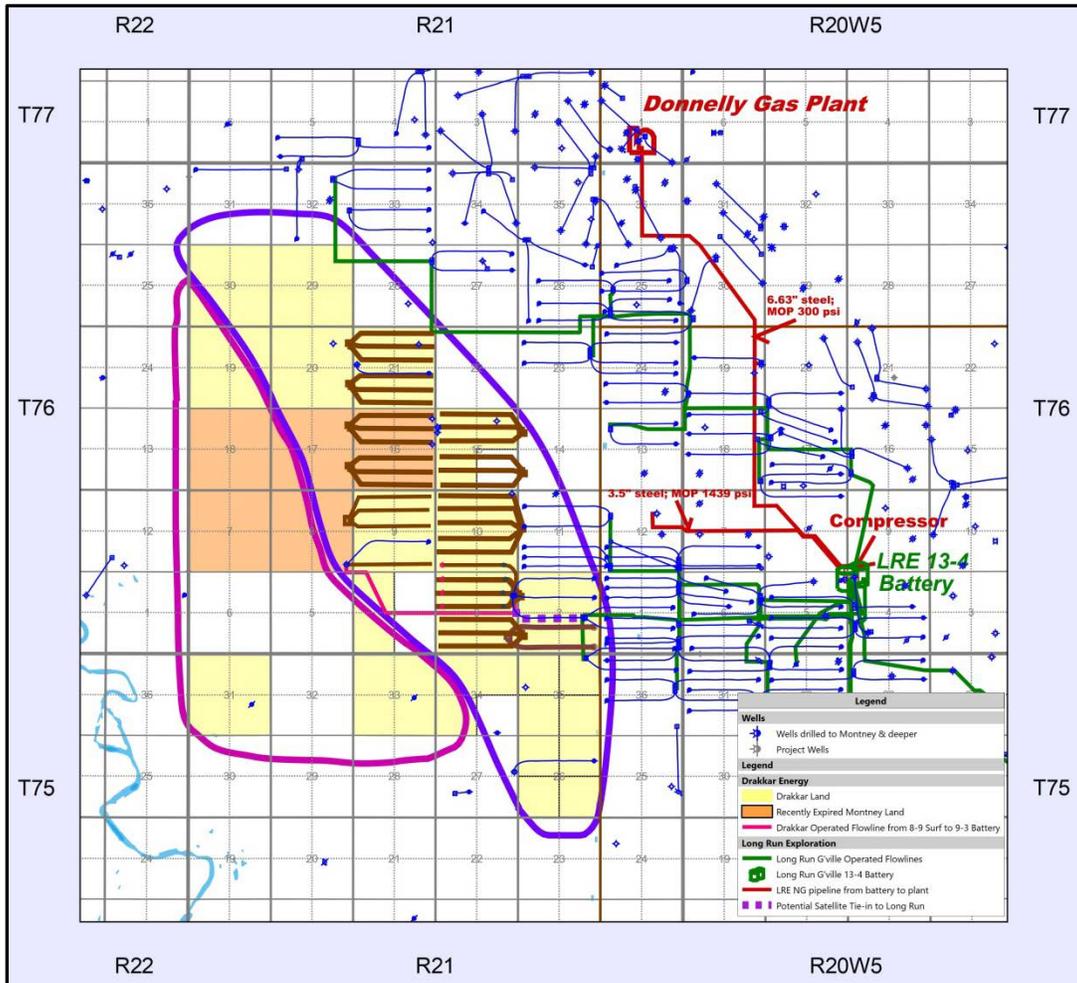
Girouxville Operations

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.

Girouxville Montney Development Locations

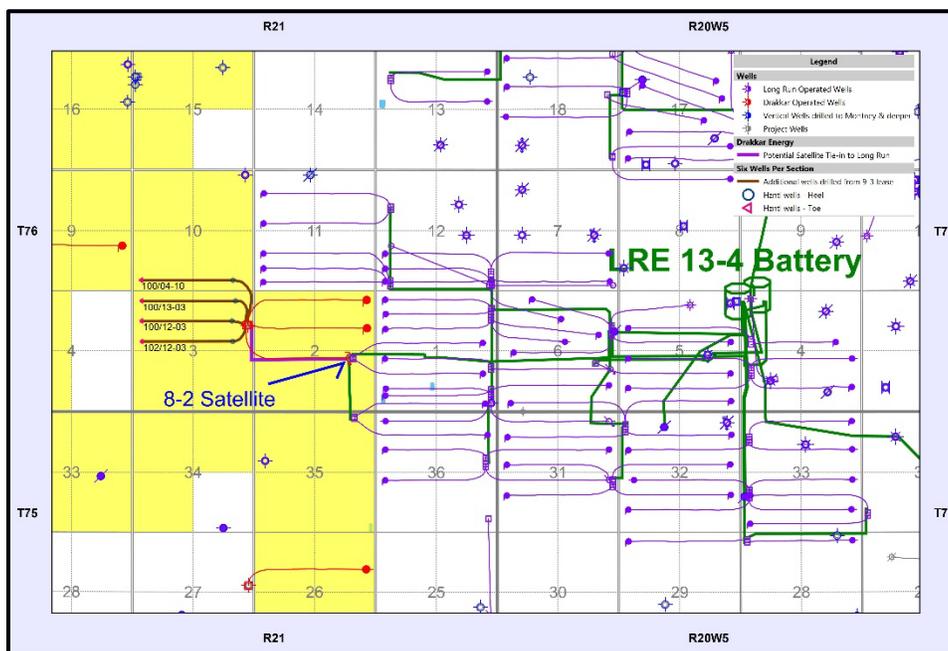


The first phase of planned capital expenditures would involve drilling up to two horizontal Montney wells and recompleting the 08-09 well for total capital expenditure of \$4.6 to \$6.1 million. The minimum capital expenditure of \$4.6 million assumes a tie-in to offset facilities for oil and emulsion 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 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.)

GLJ Petroleum Consultants Ltd. (“GLJ”) prepared an independent reserves evaluation of the *Girouxville* property as part of the 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	Natural Gas	Ngl	Total	5%	10%	15%
	Mbbl	MMcf	Mbbl	MBOE	(000's)		
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.

Blacksteel (30% W.I.)

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.

GLJ Petroleum Consultants Ltd. as of April 30, 2019							
COMPANY GROSS RESERVES					PV BEFORE TAX		
	Oil	Natural Gas	Ngl	Total	5%	10%	15%
	Mbbl	MMcf	Mbbl	MBOE	(000's)		
Proved Developed Producing	41	0	2	43	\$173	\$170	\$163
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 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%

