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# Short Business Model May 2015

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OILS LTD.

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## 1.0 Executive Summary

Admiralty Oils a re-completion specialist seeking to minimize risk by optimizing existing wells using its unique re-completion process. In October 2014, Admiralty sold some of its assets before the price of oil dropped significantly and plans to put a portion of this capital to complete two Vertical Slot & Frac Re-completions and one Horizontal Slot & Frac Re-completion as part of the recently signed Re-completion Farm-in Agreement. Slot & Frac Re-completions are a technique that Admiralty has designed and tested over a four year period. This technique involves entering into a producing wellbore, cutting Slots over the existing producing reservoir and also cutting the tight portion of the reservoir that has not yet been accessed. The Slots are then isolated and a small fracture stimulation (Frac) is completed to extend and connect the Slots. Slot & Frac Re-completions offer consistent returns with a relatively small capital expenditure. Because the wells are already producing oil, the risk of having a dry well is eliminated. The risk of the hydraulic fracture (Frac) is also significantly reduced by combining it with slotting (Slot) technology. When a Frac is completed on a well that has been slotted, the resistance to the Frac force/pressure is over 100 cm out into the reservoir away from the wellbore. The Slots allow the Frac to grow and extend out into the reservoir under lower pressures. Frac'ing through Slots has proven to show a much lower 'Initial Breakdown Pressure' than wells Frac'd through perforations. The lower breakdown pressure results from the Slots cutting through reservoir damage, resulting in the perfect geometry to initiate a fracture perpendicular to the wellbore stresses that formed during drilling and completions. Admiralty has two methods for acquiring Slot & Frac Re-completion targets, purchase and farm-in, that will provide low risk returns in volatile oil markets.

Admiralty is currently in the process, with its Technology Partner, of developing a slotting tool for horizontal wells and will earn certain rights to the horizontal tool for helping design it and being the first to employ it. The tool will be designed to cut shorter Slots that will cut through any damage that was caused through drilling, completions or production. The Slots will be spaced (~ 25m) evenly through the reservoir so that when needed the slots can be isolated and multi-staged Frac'd. Because horizontal wells have much more area of the wellbore in contact with the oil bearing reservoir, Horizontal Slot & Frac Re-completions present the opportunity to provide great returns even at lower oil prices. The goal is to complete the Horizontal Slot & Frac in June so that assets can be identified with both vertical and horizontal Slot & Frac re-completion potential.

Moving forward Admiralty is looking to secure re-completion assets through farm-in and by acquiring wells. These wells can all be re-completed to increase the production from the asset. Admiralty plans to secure these asset package by acquiring 100% of the asset (acquire and re-complete) or by farming into the asset (farm-in and re-complete) by paying 100% of the re-completion costs to earn a 65% interest in the wells, production and associated infrastructure. The re-completion strategy will offer a low risk investment opportunity to participate in a re-completion strategy as the oil prices increase over the next three years. By raising the needed capital, Admiralty plans to focus exclusively on re-completing producing wells and tripling the value of the Company within three years. Liquidity will be provided to the shareholders by completing an IPO and/or by providing a Special Dividend based on cash flow and/or the sale of certain assets that have been optimized.

In order to execute Admiralty's re-completion strategy, the Company will need to raise \$2,000,000 (farm-in and re-complete strategy) by selling common and flow through shares (\$1,250,000 of common shares at \$0.28/sh. and \$750,000 of flow through shares at \$0.34/sh.). This capital will be efficiently recycled in order to complete all of the re-completions (16 vertical and 8 horizontal) and build corporate production to 150 boed (farm-in and re-complete) (see Appendix 1A: \$2MM Proforma 2015 - 2018). If the maximum of \$5,000,000 can be raised, then both the Farm-in and Re-complete and the Acquire and Re-complete strategies can be executed and the cashflow can be recycled to do 36 Farm-in and Re-complete wells and 36 Acquire and Re-complete wells. This will drive low risk corporate production to almost 400 boed over the next 5 years (see Appendix 1B: \$5MM Proforma 2015 - 2020).

## 1.1 Introduction

Admiralty Oils Ltd. (“Admiralty”, “AOL” or the “Company”) is a privately held micro-junior operating oil company founded to capitalize on emerging light oil opportunities in southeast Saskatchewan (SK). Recently the Company has restructured its focus to optimizing wells that are already producing oil, instead of riskier exploration. This was done because optimizing wells is less capital intensive and can allow Admiralty to take advantage of low oil prices to acquire re-completion targets at a large discount. Admiralty is focused on providing consistent, low risk returns while taking minimal geologic and capital risk. Low risk cash flow can be generated by acquiring wells that are nearing the end of their production life using standard completion techniques, and re-completing them using Admiralty’s Slot & Frac Re-completion Process. This process utilizes the benefits of slotting (Slot) and fracture stimulation (Frac) to lower the risk of re-completing producing wells that often have been producing for 30+ years. Admiralty has developed a partnership with the owner of the Slotting tool and have become experts in cutting Slots into wells in Saskatchewan.

## 2.0 Background

Admiralty has been able to assemble a strong technical operating team and establish a land-base with production in southeast Saskatchewan. Admiralty’s initial production was from the Bakken/Torquay Formations in the Rocanville area, where an initial land package was secured. In the Rocanville area Admiralty was able to establish production from an up-dip extension of a Bakken/Torquay pool that was discovered in 2007. This is the first formation the abrasive slotting technology was used on a new well in Canada and was the initial data that was used to help establish Admiralty’s Re-completion Process.

## 3.0 Corporate Structure

Shares Outstanding	14,569,749 <sup>(1)(2)</sup>
Fully Diluted	16,026,724
Founder/Director/Advisors/Managers	30%
Debt	\$175,000
Payables	\$175,000

(1) 2,195,543 warrants. Each of these warrants entitles the holder to purchase one full share at the exercise price of \$0.40 per share within two years.

(2) 17,000 warrants. Each of these warrants entitles the holder to purchase one full share at the exercise price of \$0.50 per share within two years.

## 4.0 Team

The diverse skill set of the team combined with management’s ability to easily access the Corporations experienced advisors, has allowed Admiralty to maintain a monthly burn of approximately \$18,000. This includes salaries, contractors, rent, office supplies, GeoScout, ValNav, production accounting and all other monthly costs.

### 4.1 Management

Quinton Hardage B.Sc., P. Eng.	President & Chief Executive Officer - Employee
Rob Theoret B.Comm, CIM	Chief Financial Officer - Contract
Luke Boyle B.Sc., E.I.T.	Chief Operations Officer - Contract
Jason Brasseur B.Sc., P.Geo	Vice President – Geology – Contract

### 4.2 Board of Directors

Quinton Hardage  
Tim Galbreath – Land Advisor  
Robert Theoret  
Dennis Nerland LLB  
Rick Rivet

### 4.3 Technical Advisors

Bill Bailey P. Eng – Reservoir Engineering

Edward Kozowy R.E.T. (P.L.) Engineering – Evaluations & Forecasting

Sandy DeBusschere – Drilling, Completions & Field Operations

### 4.4 Technology Partner

Maxxwell Technologies Inc. – Hydro-Slotting Patent Holder

- Admiralty has Priority/Exclusive Agreement for Hydro-Slotting technology in western Canada (MAN., SK., AB., B.C. & Yukon) for Slot & Frac Re-completions
- Working with Admiralty for over 3 years
- [www.maxxwell.net/main/](http://www.maxxwell.net/main/)

### 5.0 Re-completion Process

Admiralty's Re-completion Process has been developed over several slotting operations. Based on the results seen from the initial slotting completion, the process was refined to lower costs and maximize results. The key to Admiralty's slotting process is the surface area created within the reservoir which is generally 50 times the surface area that perforations create. Admiralty has used two different re-completion processes; Continuous Slotting is a process where Slots are cut with each Slot stage being right above the next. Over time the space between the Slots falls in and the Slots become continuous. This technique works well for reservoirs that are less than 5m thick of net pay. This technique works well for reservoirs that have an under or overlying water interval. Continuous Slotting excavates the most material from the reservoir but takes additional time to complete. After completing several Continuous Slotting Completion/Re-completions, Admiralty designed the Slot & Frac Re-completion Process to help reduce costs and maximize the results for each re-completion. Slot & Frac Re-completions cut less Slot stages (Slot), and an isolated fracture stimulation (Frac) is added to connect the Slots and extend them out into the reservoir. The Slot & Frac Re-completion is well suited in reservoirs with greater than 5m of net pay and lower permeability.

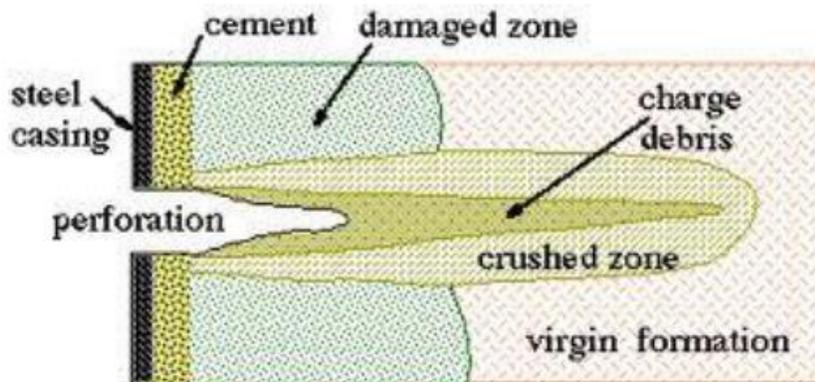


Figure 1: Mechanics of Perforations

Admiralty sees the potential of using this Slot & Frac Re-completion Process to provide low risk, consistent returns in volatile energy markets. Therefore low producing wells will be targeted because Admiralty believes these wells are not fully optimized using standard completion processes, and because they can likely be acquired for a discount because they are thought to be near the end of their economic production life (Stripper Wells). By accessing more of the reservoir and cutting through any formation damage or "skin" that formed from production or the original drilling/completion process; it is estimated that Vertical Slot & Frac Re-completions will increase the oil production by 3 to 5 times. For Horizontal Slot & Frac Re-completions, Admiralty would expect to achieve 6 to 10 times increase in oil production because of the increased area of the wellbore that can be in contact with the pay zone.

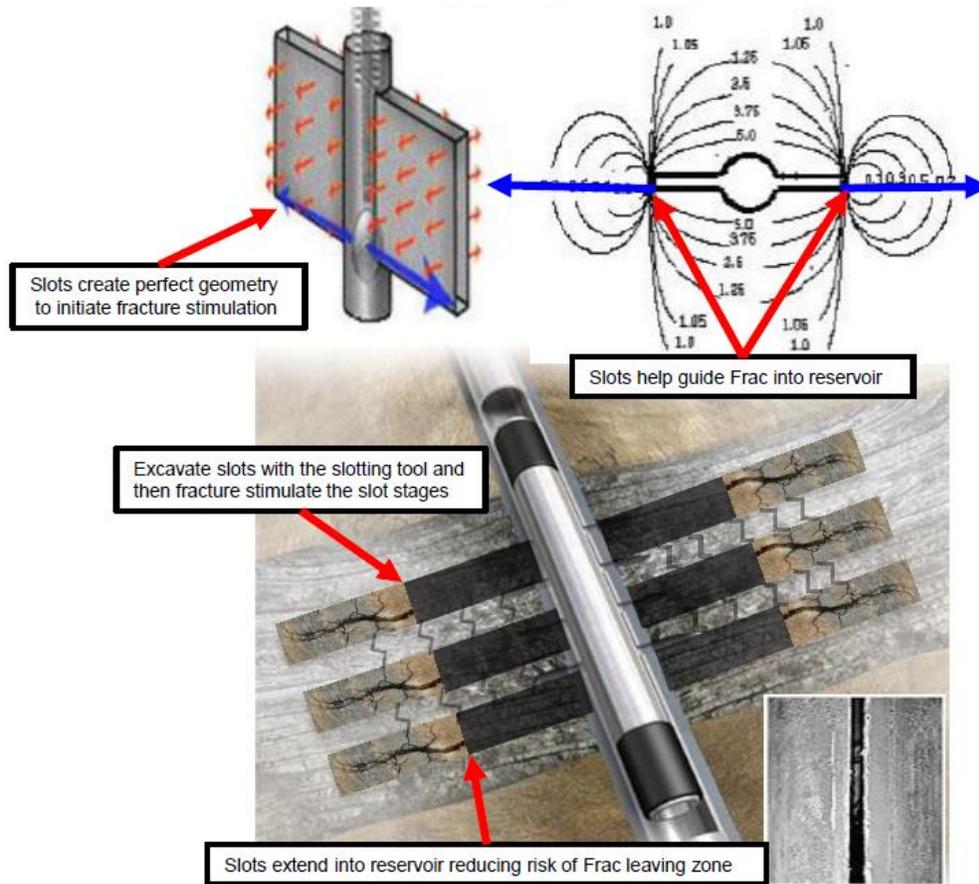


Figure 2: Mechanics of Vertical Slot & Frac Re-completion

The opportunity for applying Admiralty's Slot & Frac Re-completion Process to tight producing light oil wells in Saskatchewan, Manitoba and Alberta is significant. In Saskatchewan alone, Admiralty believes there are thousands of wells that would respond favorably to the Slot & Frac Re-completion Process. The map below shows the low producing wells in Saskatchewan in green. At least 50% of the wells in green would respond favorably to the Slot & Frac Re-completion Process. With the current low oil prices these low producing wells can be acquired and optimized to increase the production and the value of the well would increase further, because after re-completing the life of the well is extended by up to 10 years.

Admiralty believes that an opportunity exists to acquire, through purchase or farm-in, producing wells and re-complete the wells using Admiralty's Slot & Frac Re-completion Process. In some cases, Admiralty may be able to acquire very low producing wells just by assuming the abandonment liability (\$1.00), and lowering the current operators LLR rating. Some other benefits of re-completing wells using Admiralty's Slot & Frac Completion Process are:

- Simple and repeatable strategy;
- Easily scaled;
- Zero exploration risk and low geological risk;
- Wells already have infrastructure in place to reduce operating costs;
- Large inventory of re-completion targets available;
- Low cost barrels – off-set risk of lower oil prices; and
- Book increased reserves with 6 months increased production data.

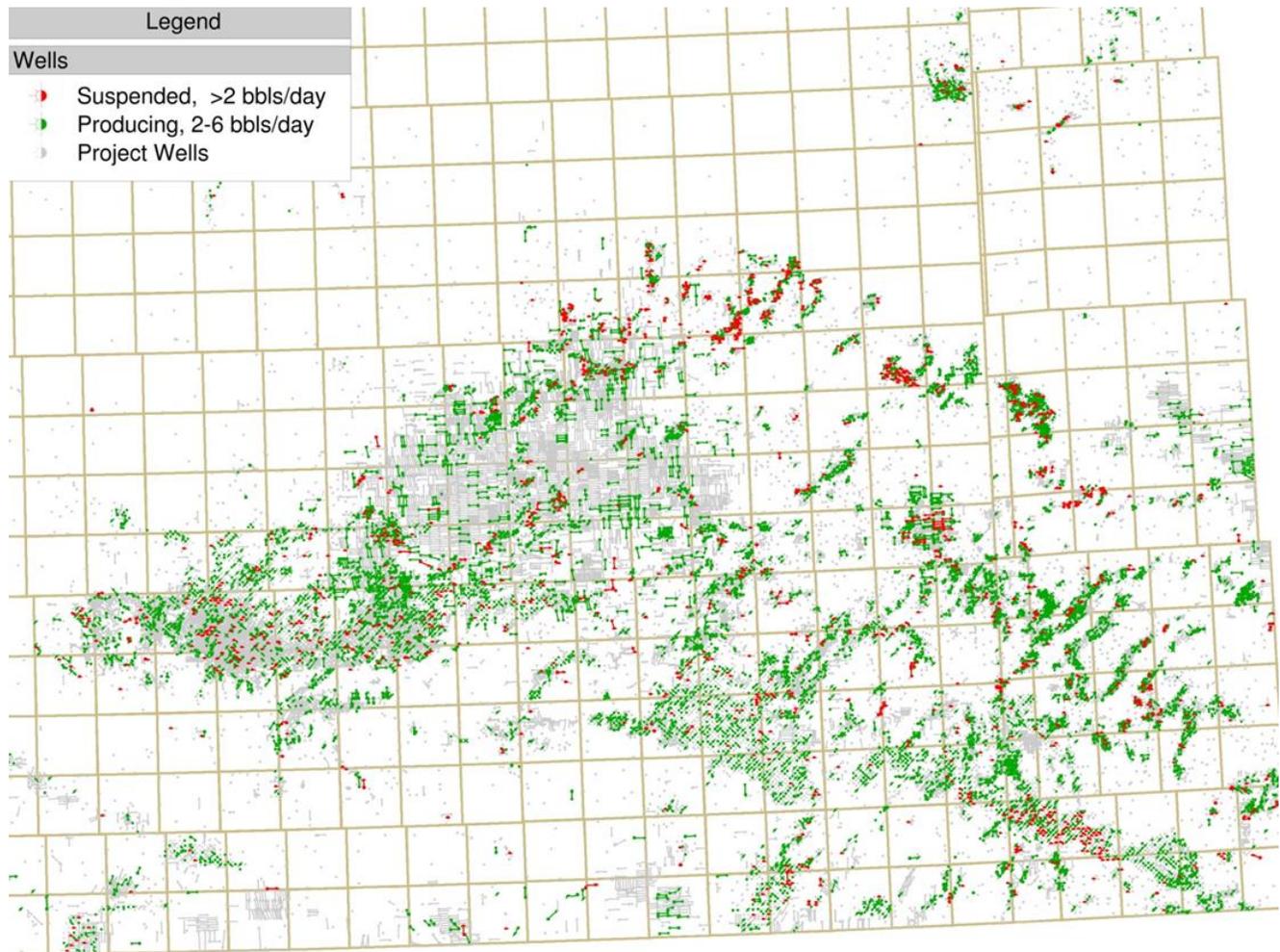


Figure 3: Potential Re-completion Programs in SE Saskatchewan

Vertical Slot & Frac Re-completions are estimated to cost approximately \$150,000. Horizontal Slot & Frac Re-completions are expected to cost approximately \$290,000. If more than 3 wells are re-completed together (back to back) the cost per re-completion would be reduced further. Re-completions offer an interesting investment opportunity given the amount of capital that needs to be invested for each Slot & Frac Re-completion. The Slot & Frac Re-completion Process is repeatable and can be scaled up easily to further reduce the cost of the re-completions. This will reduce the payback time and significantly increase the expected IRR.

## 5.2 Re-completion R & D

In Q4 of 2014, Admiralty lowered an HD Camera into the wellbore to confirm that the Slots were being cut as designed. A caliper log and acoustic log were also run to confirm the depth of the Slots. This information will be compared with other slotting jobs completed by Admiralty to perfect the slotting process and ensure Slots are excavated at 90° phasing and are 50 cm tall, 2.0 cm thick and are cut over 50 cm into the reservoir. Slots with proper excavation geometry will help to further reduce the breakdown pressure for the subsequent fracture stimulation (Frac) and will promote further fracture extension away from the wellbore. Slots help to reduce the risk of fracture stimulating wells that were drilled in the 60s, 70s, 80s & 90's. The larger surface area created during slotting, compared to perforations, allows the pressure/force being applied during the fracture stimulation to move via the Slots out into the reservoir and away from the cement that encases the wellbore. The Slots also cut through any drilling or completion damage that can prevent the fracture from consistently initiating where intended. Some of the images and the LAS file for the logs can be seen in Figures 5 & 6, they highlight the magnitude of the Slots compared to the existing perforations. This is what makes doing a Frac through Slots superior to fracturing through standard perforations, burst ports or slotted linear. This same concept is true for horizontal wells. The next step of Re-completion R & D is to do a Slot & Frac Re-completion on a low producing cased horizontal well –

Horizontal Slot & Frac Re-completion. One additional thing that will be done for the horizontal well is setting up a collection system on surface so that we can recover all of the cuttings excavated, instead of just taking samples as was done in the past.

- February 2012 – Continuous Slotting completion for new cased vertical Bakken well
- October 2013 – Continuous Slotting completion for new cased vertical Midale well
- February 2014 – Continuous Slotting Re-completion for producing cased vertical Midale well
- December 2014 – Vertical Slot & Frac Re-completion for producing cased Frobisher well
- April 2015 – Frac the Continuous Slotting vertical Midale Re-completion
- March - July 2015 – Horizontal Slot & Frac Re-completion for cased Frobisher well
- March - July 2015 – Vertical Slot & Frac Re-completion of producing cased Frobisher well

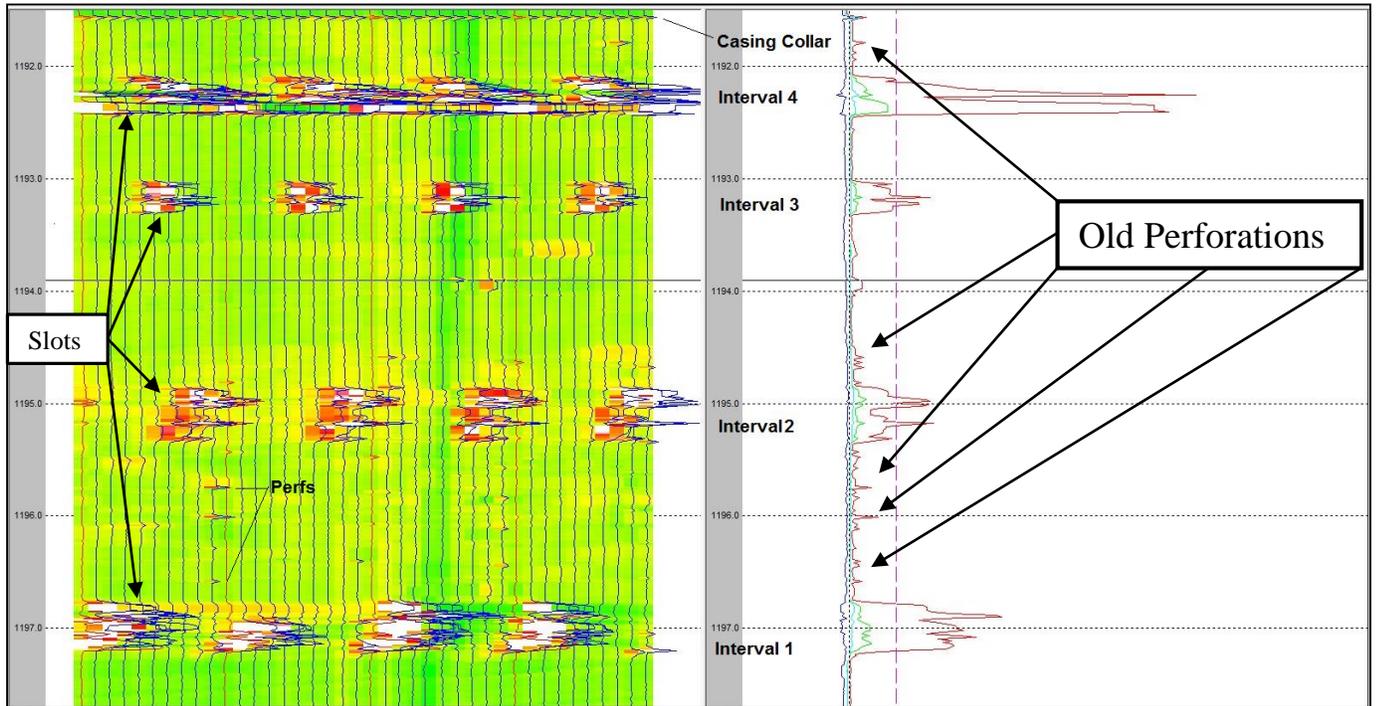


Figure 5: LAS File of Slots Cut in Reservoir

The LAS file above shows the four Slot stages that were cut at 90° phasing. Intervals 1 and 4 have the greatest excavation with depths that should reach over 50 cm into the reservoir. This is important because it may help explain why the Initial Breakdown Pressure (IBP), when the well was Frac'd after slotting, was half of the expected IBP. The LAS file shows that the Slots should extend past any reservoir damage from drilling, completions or production. The magnitude of the Slots compared to the perforations shows that the Slots extend into the reservoir further than any damage that could have been caused during drilling, completions and the original perforations. The magnitude of the Slots to the perforations can also be compared in the center photo below.

In order to understand the difference in surface area between perforations and Slots. For 50cm of perforations at 20 SPM would provide a surface area of approximately 0.044m<sup>2</sup> within the reservoir. A Slot stage at 90° phasing with Slots that are 50 cm tall and cut out into the reservoir for an average of 75cm would create a surface area of 5.25m<sup>2</sup> connecting to the reservoir. This means that over a 50 cm interval, the Slots will expose 50 times more surface area in the reservoir compared to perforations. After pumping the Frac, it is estimated that the wellbore would have direct connection with about 10m<sup>2</sup> of the reservoir.

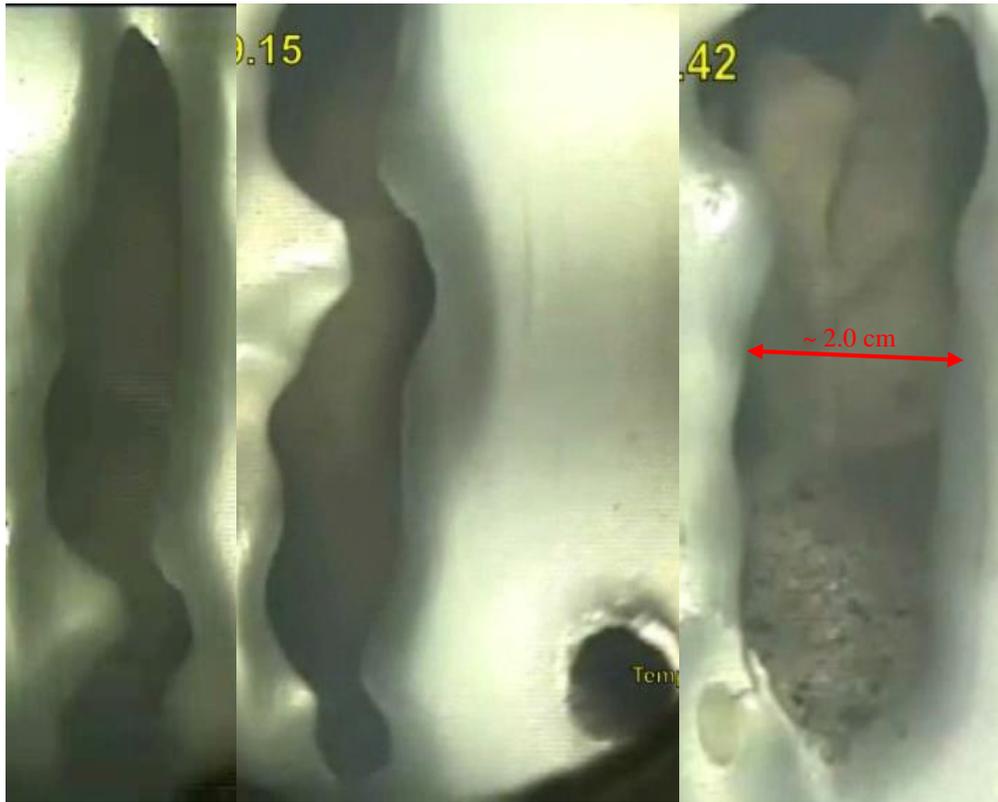


Figure 6: Slots Cut in the Reservoir vs. Original Perforation

The photos above offer a good image of the Slots that are being cut downhole. The average thickness of the Slots is approximately 2.0 cm. Based on the angle of the sand in the photo above on the right hand side and the picture of the formations cuttings recovered, seen in Figure 6 (cutting samples recovered likely represent less than 1% of the total cuttings excavated from the Slots). It is estimated that these Slots are cut over 50 cm into the reservoir in places. Admiralty will add a bow spring centralizer set directly above the tool for all other re-completions to ensure the Slots are cut more geometrically precise.

The Slots provide the perfect geometry to initiate a Frac. When completing a conventional Frac, sand is pumped at up to  $800\text{kg/m}^3$ , squeezing that amount of sand through perforations adds significant risk because the resistance to the sand is at the interface of the perforation, cement and the reservoir. That is why operators tend not to want to Frac perforated wells that have been producing since before 1990. When completing a Frac through Slots the resistance to the pressure and sand is over 50 cm into the reservoir. The Slots also encourage the Frac to break laterally in the reservoir and create flow channels up to 300m from the wellbore.

By completing a Vertical Slot & Frac Re-completion, Admiralty is able to create small open hole horizontal legs that extend away from the vertical wellbore, at  $90^\circ$  phasing. These legs are held open with proppant so that oil can drain towards the wellbore from further distances. Therefore for approximately \$150,000 a vertical well can be altered so that it performs like a short leg (up to 200m) open hole horizontal well. This provides superior connection to the reservoir and will ultimately help increase the ultimate recovery from the wellbore and limit the need to drill high cost in-fill wells.



Figure 7: Cutting Excavated From Slots

## 6.0 Operations

Admiralty is focused on building low risk cash flow through the re-completion of low producing oil wells. By using Admiralty's Slot & Frac Re-completion Process, these wells can be re-entered and optimized to produce oil at more economical rates. This will also significantly increase the value of these low producing wells because the economical production life will have been expanded. The Company uses Geo-Scout and ValNav computer programs to data mine through thousands of low producing wells and identify candidates that fit certain criteria that Admiralty has determined through evaluating producing projects and past re-completions. In order for the wells to be accepted as a potential candidate for re-completion, it must meet certain reservoir, production and economic thresholds. Using this type of data mining allows Admiralty to efficiently sort and identify wells that are best suited for Admiralty's Slot & Frac Re-completion Process. Admiralty currently has a very close relationship with the U of S by providing design projects for fourth year engineering students. To further give back to the U of S, students can work with GeoScout and Admiralty's detailed formula to help identify and rank wells for re-completion.

### 6.1 Slotting Completion – 11-5

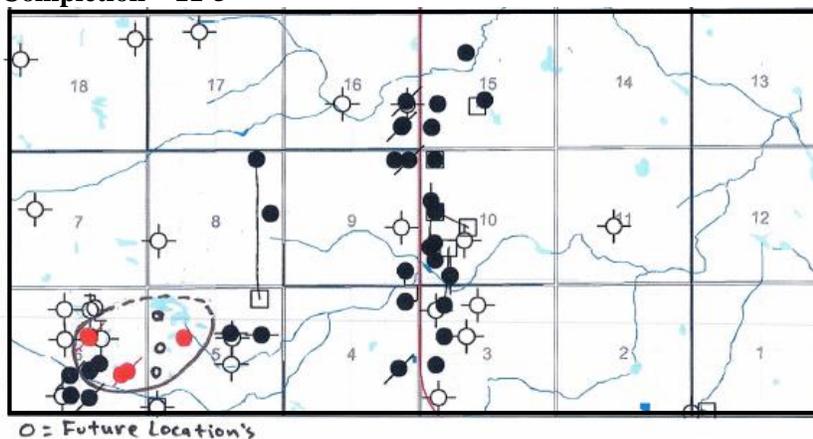


Figure 8: Rocanville Bakken/Torquay Pool

The 11-5-15-31W1 well was selected for drilling based on 2D Trade Seismic data that was acquired after the property was acquired. The well was cored and a layered pay zone was discovered in the Bakken and Torquay Formations. Admiralty got permission to commingle the Bakken and Torquay production and cut 9 Slot stages over the Bakken and Torquay pay zones, with 2 nozzles, 20cm tall, 2.0 cm wide and approximately 100 cm deep into the reservoir. This would have created approximately 8m<sup>2</sup> of surface area with the reservoir.

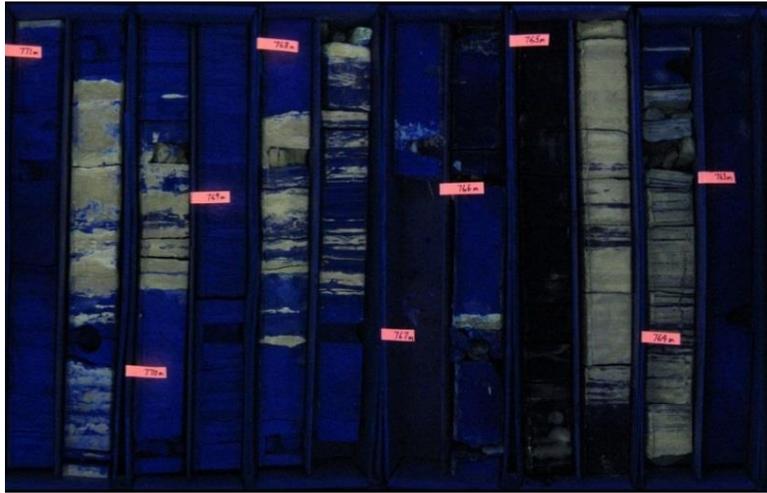


Figure 9: 11-5 Bakken/Torquay Core

The core photo above shows the Torquay on the left side of the photo and the Bakken on the right, the fluorescence indicates the presence of petroleum. Off-setting production from the west in Section 6 had an oil quality of 38° API. The 3 producing wells in Section 6 appear to produce out of both the Bakken and the Torquay, but the wells are not officially commingled. When Admiralty had the core for the 11-5 well analyzed it had good oil saturation and porosity, but the permeability seemed to be low for the thickness of the pay zone. After analyzing the core results and logs, it was recommended to abandon the well as it was believed the well would not pay back. Admiralty's management agreed that it would be difficult to obtain payback (based on off-sets) with standard completion techniques, but that an emerging technology could help yield economical results. Admiralty researched several technologies, and selected Hydro-Slotting to achieve good production without breaching the overlying Lodgepole aquifer. Slotting technology was also chosen because Admiralty had an interest on several wells in the area that were barely economical through perforations and the risk of Frac'ing into water above or below the zone was high. It was decided that Slots should allow more consistent flow into the wellbore and if cut correctly the water could be reduced. Some well stats from 11-5 and the off-setting wells in section 6 can be seen below.

Wells	11-5-15-31W1	10-6-15-31W1	8-6-15-31W1
Completion	Slotting	Perf	Perf/Acid
IP Date	2011/12	2010/12	2007/10
Perf'd/Slot'd - Pay	~ 2m	~ 8m	~ 4m
3 mo IP - boed	25.8	15.0	9.9
3 mo LP - boed	8.61	2.4	2.36
Hours	23,187	34,402	59,263
Prod.Oil - bbl	12,730	6,554	10,001
Prod. Water - bbl	952	5,042	4,947
Oil per hour - bbl	0.55	0.19	0.17
WC	13.4%	63.5%	50.9%

Table 1: 11-5 Comparison Wells

Table 1 indicates that even though the reservoir in 11-5 appeared similar or worse compared to the producing wells in Section 6, the well that was slotted has significantly outperformed the similar wells that were completed with perforations. Based on the Table above, it is estimated that the 11-5 well that was slotted will produce about 2.5 to 4 times more oil than the wells in the pool that were perforated.

After monitoring the results from the 11-5 well, Admiralty realized the significant value of using the slotting technology to re-complete existing wells that are already producing oil. This strategy would offer an investment opportunity with low geological and capital risk.



Admiralty is also planning to Extend, Slot & Frac the cased short leg horizontal well known as the 9-19hz well. Admiralty is now working with its Technology Partner to re-design the slotting tool so that it can be used for horizontal wells. The tool will be designed to cut each Slot stage with 4 nozzles at 90° phasing, the Slots will be 2.0 cm wide by 20cm tall and over 125cm into the reservoir. Admiralty plans to extend the horizontal wellbore and then cut 24 Slot stages (10 cased hole and 14 open hole) spaced about 25m apart. Then if needed, each Slot stage will be isolated and Frac'd with 2.5T of proppant and 1T of Curable Resin Coated (CRC) tail sand. Table 2 below compares the off-setting horizontal wells.

Year Drilled	Well	1mo IP boed	1mo LP boed	Prod oil bbl	Prod h2o bbl
2001	11-20hz	70.6	3.26	62,381	150,089
2001	6-30hz	35	4.11	28,748	28,672
2000	12-20hz	151.7	2.41	53,027	23,348
1996	10-24hz	91.1	9.42	143,272	93,629
1995	6-19hz	68.9	5.89	107,180	371,782
<b>Average</b>		<b>83.4</b>	<b>5.02</b>	<b>78,921</b>	<b>133,504</b>
2011	9-19hz	24.6	4.43	7,806	3,627

Table 2: Horizontal Off-setting Wells to 9-19hz

Table 2 above shows that the open hole wells have performed significantly better than the 9-19hz cased well, likely because they have better connection with the reservoir. Excavating Slots will give the existing horizontal well superior connection with the 7.5m thick Frobisher reservoir. The average permeability based on off-setting core analysis is estimated at 2.5md, there are two permeability and porosity streaks in the Frobisher pay zone (highlighted in green below). The plan is to excavate 24 Slot stages which will create about 35m<sup>2</sup> of surface area connecting with the reservoir. After producing for 3 – 6 months, a decision on the Frac will be made.

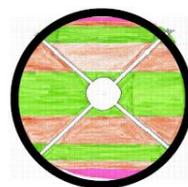
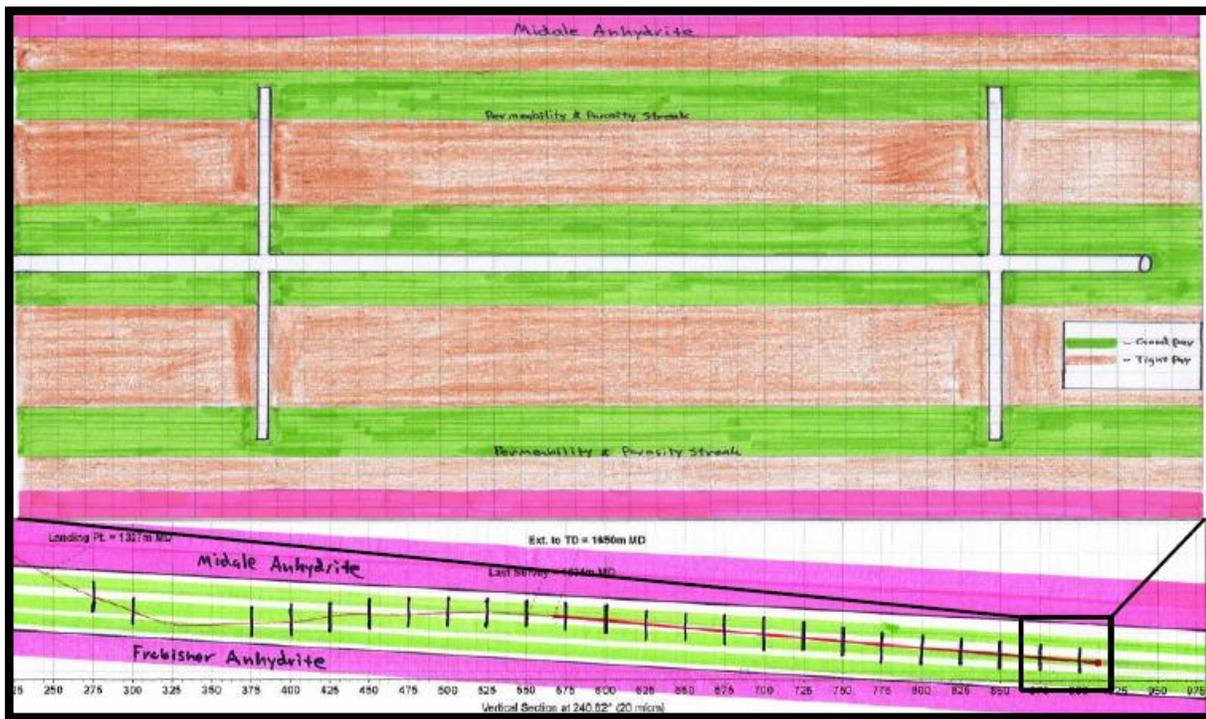


Figure 11: 9-19hz Well Plan for Extend, Slot & Frac Re-completion

Depth (m)	KMax (mD)	K90 (mD)	KVert (mD)	Porosity	Oil	Water	Lithology Description	Formation														
1184.14							dns na	Anhydrite														
1194.26	6.5	3.9	3.2	19.1%	22.5%	34.7%	i ppv vf	MFrob														
1194.45	2.4	2.3	2	27.3%	25.2%	26.3%	i	MFrob													Pay zone 1	
1194.57							ns	MFrob													k 4.45 md	
1194.66	0.07	0.07		1.9%	13.3%	59.2%	i anhy	MFrob	Frobisher Pay												kvert 2.6 md	
1194.87	0.16	0.09	0.03	2.1%	12.7%	53.0%	i anhy	MFrob	k 2.065												h 0.3 m	
1195.12	0.27	0.22	0.05	7.9%	13.7%	61.6%	i ppv anhy	MFrob	so 17.5%												so 23.9%	
1195.42	0.58	0.33	0.22	11.8%	14.3%	39.9%	i ppv anhy	MFrob	sw 44.6%												sw 30.5%	
1195.73	18	1	3.6	3.9%	12.8%	44.8%	i ppv anhy	MFrob	poro 9.1%													
1195.94		0.69		6.0%	15.7%	62.6%	i ppv anhy vf	MFrob	h 6.37												Pay zone 2	
1196.33	5.4	4.5	3.1	13.0%	16.4%	36.3%	i ppv anhy	MFrob	kvert 0.81381												k 5.56	
1196.52	1.3	1.2	0.37	5.9%	16.0%	35.7%	i ppv anhy	MFrob													kvert 1.54	
1196.82	2.1	1.7	0.19	9.0%	14.0%	41.4%	i ppv anhy	MFrob													h 1.5 m	
1197.13	1	0.57	0.44	8.3%	8.9%	75.0%	i anhy vf	MFrob													so 16.3%	
1197.4				8.3%	22.9%	42.2%	i ppv anhy	MFrob													sw 47.8%	
1197.49	0.23	0.2	0.45	4.7%	24.0%	44.2%	i few ppv anhy	MFrob														
1197.86	0.19	0.17	0.1	1.1%	15.0%	46.7%	i	MFrob	perf'd												Pay zone 3	
1198.16	0.94	0.94	0.27	7.9%	15.8%	41.5%	i ppv anhy	MFrob													k 3.8 md	
1198.35	0.49	0.44	0.28	19.2%	20.3%	28.6%	i ppv	MFrob													kvert 1.01 md	
1198.62	0.4	0.3		19.5%	19.0%	27.7%	i anhy	MFrob													h 0.3 m	
1198.83		2.5	0.56	6.8%	20.4%	33.0%	i ppv anhy	MFrob													so 26.9%	
1199.05	0.74	0.51	0.06	9.3%	9.9%	56.8%	i ppv anhy	MFrob													sw 38.7%	
1199.2	0.16	0.16	0.03	3.7%	16.7%	44.8%	i ppv anhy sl	MFrob														
1199.5	0.33	0.17	0.06	3.6%	20.0%	50.9%	i few ppv anhy	MFrob														
1199.66	0.15	0.15		4.8%	19.8%	33.7%	i few ppv anhy	MFrob														
1199.78	0.16	0.16		8.3%	9.3%	56.0%	i anhy	MFrob														
1200.05	0.39	0.36	0.06	9.6%	20.0%	51.2%	i few ppv anhy vf	MFrob	11 of 19	Anhydrite 1200.8 - 1205.2 mkb												
1200.39	4.8	2.5	1.2	10.0%	15.2%	54.4%	i anhy	MFrob														
1200.63	2.8	2.6	0.82	13.1%	38.5%	23.0%	i anhy	MFrob	9-19hz	Anhydrite at tail 1198.2 - 1202.8 mkb												
1200.85							dns anhy	Mkisbey														
1202.43							na	Mkisbey														
1202.74							na	Mkisbey														
1205.42	2.1	1.5	0.89	22.7%	0.0%	60.4%	i few ppv	Malida														
1205.57	0.96	0.96	0.15	19.7%	0.0%	52.2%	i	Malida														
1205.91	0.19	0.14		10.2%	0.0%	63.0%	i few ppv	Malida														
1213.34	63	19	26	8.8%	0.0%	44.0%	i ppv	Malida														



Figure 12: 11-19 – Off-setting core near tail of horizontal leg

The core analysis from 11-19-1-31W1 above, shows that with there are 3 zones of higher permeability, porosity and oil saturation. The remaining portion of the reservoir has good oil saturation, but is very low in permeability, especially vertical permeability. This is because the Frobisher is deposited on top of the Frobisher Anhydrite in cycles (Lake, 2015). Admiralty feels that horizontal slotting is the best way to access all of the pay zones. Figure 11 shows how the slots will provide direct connection and flow paths to the upper and lower pay zones. This type of deposit is very common in Saskatchewan and Admiralty's horizontal Slot & Frac Re-completion process will be able to unlock a significant amount of trapped oil from existing wells.

The economic summary from the Horizontal Slot & Frac Re-completion can be seen below. As with newly drilled wells, the returns expected from a Horizontal Slot & Frac Re-completion are superior to the Vertical Slot & Frac Re-completions. This is because horizontal wells allow for more of the wellbore to be placed in the producing zone. Admiralty feels that great economics will be achieved in cased and open hole horizontal well Re-completions. Certain horizontal wells in Saskatchewan, Manitoba and Alberta offer a unique opportunity to use Admiralty's Slot & Frac Re-completion Process to offer consistent returns in volatile energy markets. Because this horizontal well can also be extended openhole and slotted in virgin reservoir (a lot of horizontal wells that were drilled in the early 90's can be extended), Admiralty expects to achieve superior returns, as seen in Figure 13 below. At a 2 year average oil price of \$65.00/bbl, the Horizontal Slot & Frac Re-completion is expected to produce an additional 100,000 bbl of oil, payback in 13 months and provide an IRR of 78% with minimal geological and capital risk.



## Appendix 1: Re-completion Strategy

For the contrarian thinkers that believe oil prices in the field will return to \$80 - \$90/bbl of oil in the next year or so, now is an opportune time to acquire larger assets with more wells for re-completion, because the best deals can be struck when oil prices are depressed. These assets can be acquired through purchase or farm-in depending on the asset and operator. Combining low or no (farm-in) acquisition costs for producing wells with Admiralty's Slot & Frac Re-completion process should provide the right financial partner with an excellent opportunity to build low risk light oil production in Canada. Using the formula that Admiralty has developed for identifying re-completion candidates.

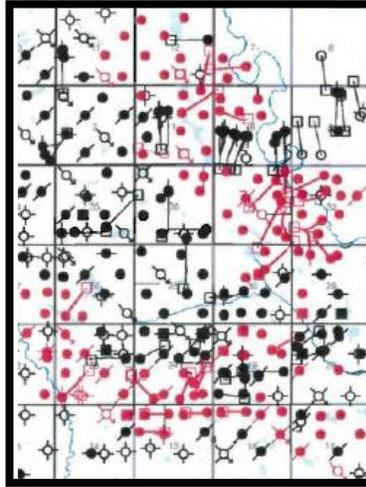
### Farm-in and Re-complete - \$2MM Required Capital

Admiralty will have the opportunity to farm-in to large tracts of wells by agreeing to pay 100% of the re-completion costs to earn 65% of the well and associated infrastructure. Admiralty now has a template Farm-in Re-completion Agreement in place and can now start to speak to selective operators about Admiralty paying for re-completions to earn an interest. This is key in older plays because the re-completion process will significantly extend the life of the wells. As previously mentioned Admiralty just signed a smaller scale rolling option re-completion farm-in agreement. This agreement will act as a template for Admiralty to secure several re-completion farm-in agreements in key formations which fit Admiralty's formula used in identifying optimal targets. Re-completion farm-ins will allow Admiralty to scale up the re-completion strategy by employing multiple service rigs working on re-completions in multiple plays. The primary producing formations sought for Slot & Frac Re-completion Farm-ins Agreements would be: Three Forks, Spearfish, Montney, Cardium, Viking, Shaunavon, Midale/Frobisher and Bakken/Torquay.

Re-completion farm-in assets are operated by oil companies that have operated in Saskatchewan for several years (Admiralty expects to be able to complete a lot of these types of agreements because the operators only alternatives are to spend more money, Admiralty's re-completion farm-in allows them to increase their net production without spending any capital). Most farm-in wells are flowlined to several facilities in which the oil can be separated, processed and sold. The water is either disposed of or re-injected for pressure support. The existing operator would also likely act as the contract operator for all of the wells Admiralty farms-in on because they are already area experts. Admiralty feels that the operator has 18 vertical wells and 8 horizontal wells that are ready for re-completion. This is expected to cost \$4,720,000 (18 wells x \$150,000 + 8 hz wells x \$290,000) and yield about 150 boed net. At this point the cashflow from the production earned would be approximately able to pay to re-complete at least one well per month.

Proforma Summary, 3 Year Average:

• Capital Required	\$2,000,000
• 3 Year Avg Oil Price	\$65/bbl oil in the field
• Finding & Delivery Cost	\$18.72/2P bbl
• Recycle Ratio	3.95 times
• Average EBITDA	\$22,683/mo
• Average NOI	\$102,012/mo.
• Production	150 boed
• 2P Reserves*	252,167 boe



Example of Asset Available

### **Farm-in, Acquire and Re-complete – \$5MM Required Capital**

By combining the Farm-in and Re-complete strategy with the Acquire and Re-complete strategy, Admiralty is able to effectively recycle capital to further re-completions. This will allow Admiralty to build its corporate production to almost 400 boed in 5 years with \$5,000,000 of capital. This gives an implied per flowing barrel cost of \$12,500 per boe. Using Admiralty's formula for acquiring re-completion wells, several assets have been identified that can be quickly secured to increase re-completion inventory. The assets being sought are producing about 45 boed from 18 wells (12 V & 6hz). These types of assets can be acquired at lower oil prices for about \$3MM and the cashflow from these assets can help fund future re-completions. As assets are being reviewed for potential purchase, Admiralty would continue farm-in re-completions as per the rolling option farm-in and re-complete agreement.

The Farm-in and Re-complete combined with the Acquire and Re-complete strategy compliment each other very well because of the low CAPEX of the farm-in wells. This allows more capital to go directly towards future re-completions instead of purchasing re-completion inventory. The wells in red in the image above show how Admiralty could secure a strong position in a producing play by farming-in on certain wells and purchasing others. The benefits of doing this is reducing operating costs through operating efficiencies (trucking, facilities, flowlines, ect.).

At the end of the 5 year forecast, Admiralty would have enough capital to acquire another asset for about \$3,000,000 and use the cashflow to re-complete those wells and push coreporate production to over 500 boed. The projected plan can also be exelcerated with further investment so that production can be ramped up faster.

Proforma Summary, 5 Year Average:

- Capital Required - \$5MM
- Farm-in and re-complete 36 (24 V & 12 HZ) wells over 5 yr.
- Acquire and re-complete 36 (24 V & 12 Hz) wells - \$6MM for 90 boed
- Total Re-completion costs for all 72 wells - \$13.57MM
- Cumulative capital expended \$19.57MM (14.57MM recycled over 5 years)
- 2P Reserves\* of 1,207,573 boe
- Achieve production of approximately 400 boed
- 5 year average oil price of \$65/bbl oil in the field
- F&D Costs - \$16.21/2P bbl
- Recycle Ratio - 4.57 times
- EBITDA - \$131,717/mo.
- NOI - \$341,300/mo.