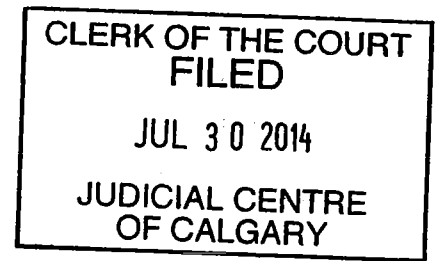


Clerk's stamp:



COURT FILE NO.

1401-08324

COURT OF QUEEN'S BENCH  
OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF

KRACK ENERGY INC.

DEFENDANTS

KARL ENERGY TRUST INC. AND BRADLEY OIL  
& GAS INC.

DOCUMENT

STATEMENT OF CLAIM

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

**BLAKE, CASSELS & GRAYDON LLP**  
**3500, 855 – 2<sup>nd</sup> Street S.W.**  
**Calgary, AB T2P 4J8**  
**Attn: Ryan Zahara**  
**Telephone: 403-260-9628**  
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**Email: ryan.zahara@blakes.com**

**File Ref.: Krack Energy/Karl Energy**

### NOTICE TO DEFENDANT

You are being sued. You are a defendant.

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

Note: State below only facts and not evidence (Rule 13.6)

### STATEMENT OF FACTS RELIED ON:

1. The Plaintiff, Krack Energy Inc. (“KEI”), is a company incorporated pursuant to the laws of Alberta, with its registered office in Edmonton, Alberta.
2. The Defendant, Karl Energy Trust Inc. (“Karl”), is a company incorporated pursuant to the laws of the Province of Alberta, with its registered office in Calgary, Alberta.

3. The Defendant Bradley Oil & Gas Inc. ("**Bradley**"), is a company incorporated pursuant to the laws of the Province of Alberta, with its registered office in Calgary, Alberta.
4. The Plaintiff provided loans to Karl and, as security for KEI's loans, Karl entered into a fixed and floating charge debenture dated October 31, 2013 (the "**Debenture**") in favour of KEI.
5. The Debenture, among other things, granted to KEI a security interest in all of Karl's present and after-acquired right, title, estate and interest in and to, among other things, the interests set out in Schedule "A" of the Debenture (the "**Assets**") and any part of the Assets and all proceeds from the Assets, renewals from the Assets, accessions to the Assets and substitutions for the Assets (the "**Karl Security**").
6. As further security for the repayment of the Debenture, Bradley granted to KEI a continuing guarantee (the "**Bradley Guarantee**") dated October 31, 2013 and Bradley entered into a general security agreement dated October 31, 2013 in favour of KEI to secure the obligations outstanding under the Bradley Guarantee (the "**Bradley Security**").
7. Karl has defaulted under the terms of the Debenture and the Plaintiff has demanded payment of the balance owed from Karl and Bradley; however, Karl and Bradley have refused, failed, neglected or been unable to pay same.
8. The amount due and owing by Karl to the Plaintiff, as of July 25, 2014 (excluding legal and enforcement costs), was \$3,600,000 (the "**Debt**"), with interest accruing thereafter at a rate of 9.0% per annum.
9. The Karl Security and the Bradley Security provide that in the event of any default by the Defendants in the payment or in the observance or in the performance of any obligations, covenants or liabilities of the Defendants to the Plaintiff, the Plaintiff is entitled to, among other things, appoint a receiver or apply to the Court for the appointment of a receiver of the undertaking, property and assets of Karl and Bradley.

10. The Bradley Security further provides that the Defendants are liable to the Plaintiff for all costs, including legal fees on a solicitor and his own client basis, incurred by the Plaintiff in enforcing any or all of its remedies against Bradley.
11. The Plaintiff proposes that the trial of this action be held at the Calgary Courts Centre, in the City of Calgary, in the Province of Alberta.

**REMEDY SOUGHT:**

12. The Plaintiff seeks the following remedies:
  - (a) a declaration that pursuant to the terms of the Karl Security and the Bradley Security
    - (i) the principal, interest and other monies thereby secured have become due and payable;
    - (ii) the Karl Security and Bradley Security has become enforceable; and
    - (iii) the charges created under the Karl Security and Bradley Security have become specifically charged against all of the assets thereby charged but not already specifically charged;
  - (b) judgment against the Defendant in the sum of the Debt together with interest thereon at the rate or rates in effect until judgment in this action;
  - (c) the appointment of a receiver-manager by this Honourable Court under section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 over the property, assets and undertaking of Karl;
  - (d) costs of this action on a solicitor and his own client basis; and
  - (e) such further and other relief as this Honourable Court may allow.

### **NOTICE TO THE DEFENDANTS**

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

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

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

### **WARNING**

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