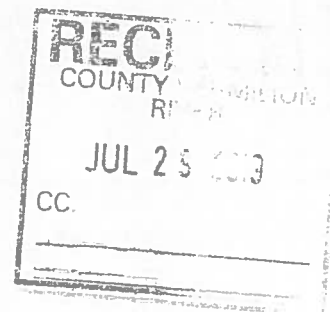




Letter to Each Affected Municipality

June 24, 2019

County of Vermilion River
Box 69
4912 - 50 Avenue
Kitscoty, Alberta
T0B 2P0



Dear County of Vermilion River,

AlphaBow Energy Ltd. (Alphabow) is a private company with significant investments in shallow natural gas wells in Central Alberta. We directly employ a total of 108 Albertans in Alberta across various communities in the Province including in the municipality of **County of Vermilion River** plus sources many additional local services through our operational activities who employ local Albertans.

As you are aware, oil and natural gas producers throughout Alberta are facing tremendous pressure in the current price environment. Natural gas prices have collapsed from a high of \$5.15/GJ in 2014 to \$0.80/GJ (avg) in April 2019 and trading at 0.11\$/GJ on June 21, 2019. Benchmark oil prices and differential spreads have also been extremely volatile with December 2018 realized heavy oil prices deteriorating to less than \$16/bbl to which we deduct our cash costs of operations. 90% of AlphaBow's properties currently generate net negative operating income at the field level prior to head office overhead. The current municipal taxes levied on these assets not only make the Company's survival situation worse but could be fatal. This situation has already led to several high-profile bankruptcies and continues to put many more oil and gas producers at risk, including AlphaBow.

In **County of Vermilion River**, AlphaBow has been assessed a total of **\$4,412.16** of total municipal taxes for 2019 which represents a significant portion of our commodity revenue directly in **County of Vermilion River**. Due to these substantial and unsustainable low oil and gas revenues in 2018 and into 2019 we are paying a significant amount of our total revenues in municipal taxes. On top of that we must pay onerous surface lease rental payments, other government levies and taxes, and the actual cash operating costs to keep these wells operational to produce out minerals and royalties.

In light of this pricing catastrophe and the reality that the productive and fair market value of these taxed assets is substantially lower than the municipal assessed value, we understand that Municipal Affairs is currently undertaking an assessment model review of the *Minister's Guidelines for Linear Property*, including a review of how assessment values for linear property is determined; we also note that Perpetual Energy has initiated a reference application to set aside the *2018 Ministerial Guidelines* (collectively, the "**Reassessments**").

AlphaBow Energy Ltd.

1800, 222 – 3rd Avenue SW, Calgary, AB T2P 0B4
Main Phone: 587-393-5059
Fax: 587-393-5060

AlphaBow will make to you a payment of 10% of its total tax obligation on or prior to the roll due date. AlphaBow further proposes that in exchange for an immediate 20% further payment of outstanding tax obligations and an agreement to pay the remaining amount when the Reassessments are fully and finally concluded, that you defer all remaining roll taxes and agree to waive any fees, interest, penalties or others costs that may otherwise have accrued thereon.

AlphaBow recognizes that municipal budgets fund important services and that the budgets of rural municipalities in Central Alberta are already very stretched. AlphaBow wants to be a long-term partner to you and pay a sustainable fair share of its revenue to these municipalities as it relates to what is practicable and affordable. When gas prices were higher in prior years, these rates could be sustainable and paid. Unfortunately, today the taxation structure is not sustainable nor fair and paying these taxes will be putting AlphaBow out of business will only exacerbate the budgetary problems of rural municipalities.

We welcome a discussion of alternative arrangements that will allow job providing, tax paying oil and gas producers, such as AlphaBow, to survive this downturn and also contribute to the funding of important services provided by rural municipalities such as yourselves.

Sincerely,

SEVERED

Shuo (Marshall) Shi
Chief Executive Officer and Director
AlphaBow Energy Ltd.