

# FORM 7

## MONTHLY PROGRESS REPORT

Name of Listed Issuer: \_\_\_\_\_ Petrocapita Income Trust ("Petrocapita" or the "Issuer") \_\_\_\_\_

Trading Symbol: \_\_\_\_\_ PCE.UN \_\_\_\_\_

Number of Outstanding Listed Securities: \_\_\_\_\_ 11,097,481 Common Trust Units [post consolidation] \_\_\_\_\_

Date: \_\_\_\_\_ August 13, 2019 \_\_\_\_\_

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

*On June 11, 2019, Petrocapita Oil and Gas L.P. and Petrocapita GP I Ltd., general partner of the Petrocapita Oil and Gas L.P. and the administrator of Petrocapita Income Trust were placed into receivership pursuant to a court order. Hudson & Company Insolvency Trustee Inc. ("Receiver") was appointed the receiver by the court.*

On May 6, 2019 the securities regulatory authorities in Alberta and Ontario issued a Cease Trade Order banning the trading in securities issued by the Trust. This was in response for failing to file the required documents to the regulators on April 30, 2019. Subsequently, The Canadian Securities Exchange delisted the Trust for failing to meet and maintain its listing requirements.

The Issuer moved its office from 1400, 717 – 7 Avenue S.W. to 650, 717 – 7 Avenue S.W., Calgary, Alberta, T2P 0Z3.

2. Provide a general overview and discussion of the activities of management.

*As required management will assist the receiver.*

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

*None.*

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

*As of June 11, 2019, operations are controlled by the Receiver.*

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

*None.*

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

*None.*

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

*None.*

8. Describe the acquisition of new customers or loss of customers.

*None.*

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

None.

10. Report on any employee hiring, terminations or lay-offs with details of anticipated length of lay-offs.

*On June 11, 2019, the employee and all consultants including contract operators were terminated.*

11. Report on any labour disputes and resolutions of those disputes if applicable.

None.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

*Alberta Court of Queen's Bench Statement of Claim filed May 30, 2017 on behalf of Thrive Industries Inc. regarding outstanding invoices and claiming \$216,722.60 plus interest plus costs. A Statement of Defence and a Counterclaim were filed and served July 11, 2017. Statements of Defence to the Counterclaim by Thrive Industries Inc.; With-A-Vengeance Transport Ltd., Vicky Erickson and Len Saccucci; and a Counterclaim by Vicky Erickson and Len Saccuci (all associates and/or principals of Thrive Industries Inc.) were filed separately on September 8, 2017. A reply to the Statement of Defence by Thrive Industries Inc and a Statement of Defence to the Counterclaim by Vicky Erickson and Len Saccuci were filed on October 23, 2017. Litigation is on-going.*

*On May 1, 2019 Petrocapita appeared in court and addressed a civil suit filed by a terminated consultant. Petrocapita agreed to a consent judgement in the amount of \$30,000 in favour of the terminated consultant.*

*On March 14 the Issuer was served a statement of claim in the amount of \$105,000 by Can-World Finance Services ("Can-World") for funding services which never materialized. Can-World is seeking a break fee while the Issuer is filing a statement of defence for non-performance of financing services and counter claim.*

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

*Petrocapita continues to repay the convertible debenture payable to Pacific Oil Company in the monthly amount of \$3,013.89. The Issuer has suspended payments to the former shareholder(s) of Hytop Well Servicing Inc. in the monthly amount of \$3,281.15. Petrocapita has postponed payments to former shareholders of Smartworks Oilfield Maintenance Ltd. in the monthly amount of \$2,451.40 in the month of November. Petrocapita has stopped paying the former shareholders of PCap Trucking Inc. (formerly 1701307 Alberta Ltd.) in the monthly amount of \$7,638.89, and former shareholders of Crucible Resources Corp. in the monthly amount of \$6,041.18. Maha Energy Inc. signed an amendment dated April 30, 2018 to the convertible debenture agreement postponing the monthly principal payment in the amount of \$50,000 and remaining principal and interest until September 30, 2018. Currently, Petrocapita is negotiating with Maha on revising the repayment of interest and principal.*

*During the month of September, Petrocapita press released the suspension of interest payments on the senior secured 8% convertible debentures for the quarter ended September 30, 2018 and*

*all subsequent periods until further notice. The Trust is not in default of any debt covenant and if interest due remains outstanding beyond 30 days, then the rate on the outstanding interest is 8% plus the prime bank lending rate. For the three months ended December, 2018, the Issuer continued to suspend the interest payments on the 8% senior secured convertible debentures.*

*Similarly, the Issuer continued to suspend the interest payments on the 12.5% debenture. On April 24, 2019 Petrocapita Oil and Gas L.P. was served an Obligation to Pay and a Default and Enforcement Notice by Safeway Holdings (Alberta) Ltd (the "Notice"). The Notice demanded repayment of all amounts due and owing to Safeway in the amount of \$8,069,520.55 (plus costs). Petrocapita Oil and Gas L.P. has 10 days under section 244 of the Bankruptcy and Insolvency Act to respond to the Notice, after which Safeway will have the option (and right) to enforce its security. Petrocapita Oil and Gas L.P. does not dispute the amounts owing.*

*Subsequent to the notice, Petrocapita Oil and Gas L.P. was served a Statement of Claim by Safeway Holdings (Alberta) Ltd (the "Claim"). The Claim seeks full payment to Safeway in the amount of \$8,069,520.55 (plus costs), and the appointment of a receiver. Petrocapita Oil and Gas L.P. does not plan to dispute the Claim.*

*Cashflow continues to be limited due to volatile and low Western Canadian Select oil prices. Although prices for the current month are improving, cashflow is still insufficient to resume interest payments. The Issuer continues to suspend the interest payments on the 9% preferred trust units. The suspension was previously press released on May 18 and June 1, 2018.*

*On March 1, 2019, the \$2,000,000 12.5% per annum secured debenture became due and payable. As at March 31, 2019, the secured debenture remains outstanding due to the lack of funds to service the debt.*

*On June 11, 2019, the remaining principal and interest repayment to Pacific Oil Company ceased.*

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

(1) State aggregate proceeds and intended allocation of proceeds.

*On May 26, 2016 the Board of Directors of the Administrator approved a stock option plan. No options have been granted to directors, officers, employees and/or consultants to date.*

15. Provide details of any loans to or by Related Persons.

*None.*

16. Provide details of any changes in directors, officers or committee members.

*None.*

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

- a) *The continuance of low heavy oil prices could impact the Trust's cash flow from operations and result in reduced capital spending.*
- b) *Changes to Government regulations, including those regulations governing the protection of the environment, taxes, labour standards, occupational health and safety waste disposal and other matters, could have an adverse impact the Trust.*
- c) *Changes to Provincial royalties could have an adverse impact on the Trust.*
- d) *Continuing changes to the liability management program within Alberta could have an impact on future acquisitions made by the Trust.*
- e) *Carbon tax legislation enacted by the Province of Alberta on January 1, 2017.*
- f) *The Supreme Court of Canada's decision on the Redwater Energy Corp. case ruled in favour of the regulator on January 31, 2019.*

**Certificate of Compliance**

The undersigned hereby certifies that:

- 1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
- 2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
- 3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
- 4. All of the information in this Form 7 Monthly Progress Report is true.

Dated August 13, 2019

Richard Mellis  
Name of Director or Senior Officer

"Richard Mellis"  
Signature

Director & CEO  
Official Capacity

<b>Issuer Details</b> Name of Issuer Petrocapita Income Trust	For Month End June 2019	Date of Report YY/MM/D 2019/08/013
Issuer Address #650 - 717 – 7 <sup>th</sup> Avenue SW		
City/Province/Postal Code Calgary, Alberta T2P 0Z3	Issuer Fax No. None	Issuer Telephone No. (587) 393-3453
Contact Name Richard Mellis	Contact Position President	Contact Telephone No. (587) 393-3459
Contact Email Address rmellis@petrocapita.com	Web Site Address <a href="http://www.petrocapita.com">www.petrocapita.com</a>	