

**SCHEDULE A**  
**SECURITY AGREEMENT**

1. \_\_\_\_\_ (the "Supplier") for valuable consideration grants **Collicutt Energy Services Corp.** ("Collicutt") a security interest in all present and after acquired undertaking and personal property of the Supplier including all the right, title, interest and benefit which the Supplier now has or may hereafter have in all personal property (the "Collateral"), located at, on or about the locations specified in Exhibit B hereto or used or acquired in connection with or primarily related to the business of the Supplier.

In this Agreement, the words "goods", "consumer goods", "account", "account debtor", "inventory", "crops", "equipment", "fixtures", "chattel paper", "document of title", "instrument", "money", "security", or "securities", "intangible", "receiver", "proceeds" and "accessions" shall have the same meanings as their defined meanings where such words are defined in the Personal Property Security Act of Alberta, such Act, including any amendments thereto, being referred to in this Agreement as "the PPSA". In this Agreement, "Collateral" shall refer to "Collateral or any item thereof".

2. The security interest granted under this Agreement secures any and all payments including but not limited to deposits, partial payment, full payment, and prepaid expenses made by Collicutt to the Supplier for any and all Purchase Orders or supply contracts (the "Obligations").
3. The Supplier hereby represents and warrants to Collicutt that:
- A. all of the Collateral is, or when the Supplier acquires any right, title or interest therein, will be the sole property of the Supplier free and clear of all security interests, mortgages, charges, hypothecs, liens or other encumbrances, subject to those already on title and except as disclosed by the Supplier to Collicutt in writing;
  - B. the Collateral insofar as it consists of goods (other than inventory enroute from suppliers or enroute to Suppliers or on lease or consignment) will be kept at the locations specified in Exhibit B hereto or at such other locations as the Supplier shall specify in writing to Collicutt and subject to the provisions of paragraph 4(j) none of the Collateral shall be moved therefrom without the written consent of Collicutt;
  - C. the Supplier's address is located at the address specified in Exhibit B;
  - D. none of the Collateral consists of consumer goods; and
  - E. this Agreement has been properly authorized and constitutes a legally valid and binding obligation of the Supplier in accordance with its terms.
4. The Supplier hereby agrees that:

- A. the Supplier shall diligently maintain, use and operate the Collateral and shall carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and the earnings, incomes, rents, issues and profits thereof;
  - B. the Supplier shall cause the Collateral to be insured and kept insured to the full insurable value thereof with reputable insurers against loss or damage by fire and such other risks as Collicutt may reasonably require and shall maintain such insurance with loss if any payable to Collicutt and shall lodge such policies with Collicutt;
  - C. the Supplier shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to Collicutt, when required, the receipts and vouchers establishing such payment;
  - D. the Supplier shall duly observe and conform to all valid requirements of any governmental authority relative to any of the Collateral and all covenants, terms and conditions upon or under which the Collateral is held;
  - E. the Supplier shall furnish to Collicutt such information with respect to the Collateral and the insurance thereon as Collicutt may from time to time require and shall give written notice to Collicutt of all litigation before any court, administrative board or other tribunal affecting the Supplier or the Collateral;
  - F. the Supplier shall promptly notify Collicutt in writing of any event which occurs that would have a material adverse effect upon the Collateral or upon the financial condition of the Supplier; and,
  - G. the Supplier will not change its name or location of its chief executive office or place of business or sell, exchange, transfer, assign or lease or otherwise dispose of or change the use of the Collateral or any interest therein or modify, amend or terminate any chattel paper, document of title, instrument, security or intangible, without the prior written consent of Collicutt, except that the Supplier may, until an event of default set out in paragraph 9 occurs, sell or lease inventory in the ordinary course of the Supplier's business.
5. Until an event of default occurs, the Supplier may use the Collateral in any lawful manner not inconsistent with this Agreement, but Collicutt shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner Collicutt may consider appropriate and the Supplier agrees to furnish all assistance and information and to perform all such acts as Collicutt may reasonably request in connection therewith, and for such purpose shall permit Collicutt or its agents access to all places where Collateral may be located and to all premises occupied by the Supplier to examine and inspect the Collateral and related records and documents.

6. Before or after an event of default occurs, Collicutt may give notice to any or all account debtors of the Supplier and to any or all persons liable to the Supplier under an instrument to make all further payments to Collicutt and any payments or other proceeds of Collateral received by the Supplier from account debtors or from any persons liable to the Supplier under an instrument, whether before or after such notice is given by Collicutt, shall be held by the Supplier in trust for Collicutt and paid over to Collicutt upon request. Collicutt may take control of all proceeds of Collateral and may apply any money taken as Collateral to the satisfaction of the Obligations secured hereby. Collicutt may hold as additional security any increase or profits, except money, received from any Collateral in Collicutt's possession, and may apply any money received from such Collateral to reduce the Obligations secured hereby and may hold any balance as additional security for such part of the Obligations as may not yet be due, whether absolute or contingent. Collicutt will not be obligated to keep any Collateral separate or identifiable. In the case of any instrument, security or chattel paper comprising part of the Collateral, Collicutt will not be obligated to take any necessary or other steps to preserve rights against other persons.
7. Collicutt may have any Collateral comprising instruments, shares, stock, warrants, bonds, debentures, debenture stock or other securities, registered in its name or in the name of its nominee and shall be entitled but not bound or required to vote in respect of such Collateral at any meeting at which the holder thereof is entitled to vote and, generally, to exercise any of the rights which the holder of such Collateral may at any time have; but Collicutt shall not be responsible for any loss occasioned by the exercise of any of such rights or by failure to exercise the same within the time limited for the exercise thereof.
8. Upon the Supplier's failure to perform any of its duties hereunder, Collicutt may, but shall not be obliged to, perform any or all of such duties, without waiving any rights to enforce this Agreement, and the Supplier shall pay to Collicutt, forthwith upon written demand therefor, an amount equal to the costs, fees and expenses incurred by Collicutt in so doing plus interest thereon from the date such costs, fees and expenses are incurred until paid at the rate of 18% per annum.
9. The happening of any one or more of the following events shall constitute an event of default under this Agreement:
  - A. if the Supplier does not perform any provisions of this Agreement or of any other agreement to which the Supplier and Collicutt are parties;
  - B. if the Supplier ceases or threatens to cease to carry on its business, commits an act of Bankruptcy, becomes insolvent, makes an assignment or proposal under the Bankruptcy Act, takes advantage of provisions for relief under the Companies Creditors Arrangement Act or any other legislation for the benefit of insolvent debtors, transfers all or substantially all of its assets, or proposes a compromise or arrangement to its creditors;
  - C. if the Supplier enters into any reconstruction, reorganization, amalgamation, merger or other similar arrangement;

- D. if any proceeding is taken with respect to a compromise or arrangement, or to have the Supplier declared Bankrupt or wound up, or if any proceeding is taken, whether in court or under the terms of any agreement or appointment in writing, to have a receiver appointed of any Collateral or if any encumbrance becomes enforceable against any Collateral;
  - E. if any execution, sequestration or extent or any other process of any court becomes enforceable against the Supplier or if any distress or analogous process is levied upon any Collateral;
  - F. if Collicutt in good faith believes and has commercially reasonable grounds for believing that the performance of any Obligation is or is about to be impaired or that any Collateral is or is about to be in danger of being lost, damaged, confiscated or placed in jeopardy.
10. If an event of default occurs, Collicutt may withhold any future payment with respect to the Collateral and may proceed to enforce repayment or reimbursement of the Obligations or demand specific performance thereof at its sole discretion. In addition, Collicutt shall have any other rights and remedies provided by law, the rights and remedies of a debtor and a secured party respectively under the PPSA and other applicable legislation and those provided by this Agreement. Collicutt may take possession of the Collateral, enter upon any premises of the Supplier, otherwise enforce this Agreement and enforce any rights of the Supplier in respect of the Collateral by any manner permitted by law and may use the Collateral in the manner and to the extent that Collicutt may consider appropriate and may hold, insure, repair, process, maintain, protect, preserve, prepare for disposition and dispose of the same and may require the Supplier to assemble the Collateral and deliver or make the Collateral available to Collicutt at a reasonably convenient place designated by Collicutt.
11. The Supplier acknowledges and agrees that the Collateral is unique.
12. Where required to do so by the PPSA, Collicutt shall give to the Supplier the written notice required by the PPSA of any intended disposition of the Collateral by serving such notice personally on the Supplier or by mailing such notice by registered mail to the last known post office address of the Supplier or by any other method authorized or permitted by the PPSA.
13. If an event of default occurs, Collicutt may take proceedings in any court of competent jurisdiction for the appointment of a receiver (which term shall include a receiver and manager) of the Collateral or may by appointment in writing appoint any person to be a receiver of the Collateral and may remove any receiver so appointed by Collicutt and appoint another in his stead; and any such receiver appointed by instrument in writing shall, to the extent permitted by applicable law or to such lesser extent permitted, have all of the rights, benefits and powers of Collicutt hereunder or under the PPSA or otherwise and without limitation have power (a) to take possession of the Collateral, (b) to carry on all or any part or parts of the business of the Supplier, (c) to borrow money required for the seizure, retaking, repossession, holding, insurance, repairing, processing, maintaining, protecting, preserving, preparing for disposition, disposition of the Collateral and for any other enforcement of this Agreement or for the carrying on of

the business of the Supplier on the security of the Collateral in priority to the security interest created under this Agreement, and (d) to sell, lease or otherwise dispose of the whole or any part of the Collateral at public auction, by public tender or by private sale, lease or other disposition either for cash or upon credit, at such time and upon such terms and conditions as the receiver may determine provided that if any such disposition involves deferred payment Collicutt will not be accountable for and the Supplier will not be entitled to be credited with the proceeds of any such disposition until the monies therefor are actually received; and further provided that any such receiver shall be deemed the agent of the Supplier and Collicutt shall not be in any way responsible for any misconduct or negligence of any such receiver.

14. Any proceeds of any disposition of any collateral may be applied by Collicutt to the payment of expenses incurred or paid in connection with seizing, repossessing, retaking, holding, repairing, processing, insuring, preserving, preparing for disposition and disposing of the Collateral (including reasonable solicitor's fees and legal expenses and any other reasonable expenses), and any balance of such proceeds may be applied by Collicutt towards the payment of the Obligations in such order of application as Collicutt may from time to time effect. All such expenses and all amounts borrowed on the security of the Collateral under paragraph 12 shall bear interest at the rate of 18% per annum, shall be payable by the Supplier upon demand and shall be Obligations under this Agreement. If the disposition of the Collateral fails to satisfy the Obligations secured by this Agreement and the expenses incurred by Collicutt, the Supplier shall be liable to pay any deficiency to Collicutt on demand.
15. The Supplier and Collicutt further agree that:
  - A. Collicutt may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Supplier, debtors of the Supplier, sureties and others and with the Collateral or other security as Collicutt may see fit without prejudice to the liability of the Supplier and Collicutt's rights under this Agreement;
  - B. this Agreement shall not be considered as satisfied or discharged by any intermediate payment of all or any part of the Obligations but shall constitute and be a continuing security to Collicutt for a current or running account and shall be in addition to and not in substitution for any other security now or hereafter held by Collicutt;
  - C. nothing in this Agreement shall obligate Collicutt to make any loan or accommodation to the Supplier or extend the time for payment or satisfaction of the Obligations;
  - D. any failure by Collicutt to exercise any right set out in this Agreement shall not constitute a waiver thereof; nothing in this Agreement or in the Obligations secured by this Agreement shall preclude any other remedy by action or otherwise for the enforcement of this Agreement or the payment in full of the Obligations secured by this Agreement;

- E. all rights of Collicutt under this Agreement shall be assignable and in any action brought by an assignee to enforce such rights, the Supplier shall not assert against the assignee any claim or defence which the Supplier now has or may hereafter have against Collicutt;
- F. all rights of Collicutt under this Agreement shall enure to the benefit of its successors and assigns and all obligations of the Supplier under this Agreement shall bind the Supplier, his heirs, executors, administrators, successors and assigns;
- G. if more than one Supplier executes this Agreement, their obligations under this Agreement shall be joint and several, and the Obligations shall include those of all or any one or more of them;
- H. this Agreement shall be governed in all respects by the laws of Alberta;
- I. the time for attachment of the security interest created hereby has not been postponed and is intended to attach when this Agreement is signed by the Supplier and attaches at that time to Collateral in which the Supplier then has any right, title or interest and attaches to Collateral in which the Supplier subsequently acquires any right, title or interest at the time when the Supplier first acquires such right, title or interest.

The Supplier acknowledges receiving a copy of this Agreement.

The Supplier expressly waives the right to receive a copy of any financing statement or financing change statement which may be registered by Collicutt in connection with this Agreement or any verification statement issued with respect thereto where such waiver is not otherwise prohibited by law.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

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Per:

**EXHIBIT A**

(Description of Collateral)

Security Interest of All Present and After Acquired Personal Property of the Supplier.

**EXHIBIT B**

(Location of Collateral)

**Legal description:**

**Municipal Address:**