

Form 45-106F6
British Columbia Report of Exempt Distribution

This is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution in British Columbia.

ISSUER/UNDERWRITER INFORMATION

Item 1: Issuer/underwriter name and contact information

A. State the following: the full name of the issuer of the security distributed. Include the former name of the issuer if its name has changed since this report was last filed; the issuer's website address; and the address, telephone number and email address of the issuer's head office.

NORTH 40 RESOURCES LTD.
700, 215 – 9th Avenue S.W.
Calgary Alberta, T2P 1K3
(403) 974-6832

B. If an underwriter is completing this report, state the following: the full name of the underwriter; the underwriter's website address; and the address, telephone number and email address of the underwriter's head office.

N/A

Item 2: Reporting issuer status

A. State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting.

The Corporation is a not a reporting issuer.

B. If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, name the investment fund manager and state the jurisdiction(s) where it is registered.

N/A

Item 3: Issuer's industry

Indicate the industry of the issuer by checking the appropriate box below.

☐ Bio-tech

Financial Services

☐ investment companies and funds

☐ mortgage investment companies

☐ Forestry

☐ Hi-tech

☐ Industrial

Mining

☐ exploration/development

☐ production

☒ Oil and gas

☐ Real estate

☐ Utilities

☐ Other (describe)

Item 4: Insiders and promoters of non-reporting issuers

If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, do not complete this table.

If the issuer is not a reporting issuer in any jurisdiction of Canada, complete the following table by providing information about each insider and promoter of the issuer. If the insider or promoter is not an individual, complete the table for directors and officers of the insider or promoter.

Information about insiders and promoters			
Full name, municipality and country of principal residence	All positions held (e.g., director, officer, promoter and/or holder of more than 10% of voting securities)	Number and type of securities of the issuer beneficially owned or, directly or indirectly controlled, on the distribution date, including any securities purchased under the distribution	Total price paid for all securities beneficially owned or, directly or indirectly controlled, on the distribution date, including any securities purchased under the distribution (Canadian \$)
Darrin Hanik Calgary, Alberta	President, Chief Executive Officer and a Director	225,000 Common Shares	\$225,000.00
Preston Kraft Calgary, Alberta	Vice President, Operations	40,000 Common Shares	\$40,000.00
Don Robson Calgary, Alberta	Vice President, Land and Business Development	150,000 Common Shares	\$150,000.00
Steven R. Metzger Calgary, Alberta	Vice President, Exploration	100,000 Common Shares	\$100,000.00
Kim Schoenroth Calgary, Alberta	Vice President, Finance and Chief Financial Officer	225,000 Common Shares	\$225,000.00
Clayton Woitas Calgary, Alberta	Director	3,000,045 Common Shares ⁽¹⁾ 3,000,000 Special Voting Shares ⁽¹⁾	\$6,000,045.00
Margaret McKenzie Calgary, Alberta	Director	200,010 Common Shares	\$200,010.00
Grant Zawalsky Calgary, Alberta	Director	400,000 Common Shares	\$400,000.00
Jeff Lebbert Calgary, Alberta	Director	1,500,045 Common Shares 1,500,000 Special Voting Shares	\$3,000,045.00
Tyson Birchall Calgary, Alberta	Director	10,000,000 Common Shares ⁽²⁾ 10,000,000 Special Voting Shares ⁽²⁾	\$10,000,000.00

Notes:

- (1) 1,000,000 Common Shares and 1,000,000 Special Voting Shares are held by Woitas Investments Ltd. Mr. Woitas is a principal of this entity.
- (2) The shares are held by Longbow Capital Limited Partnership #21 (5,441,914 Common Shares and 5,441,914 Special Voting Shares), Longbow Capital (Int) Limited Partnership #21 (616,172 Common Shares and 616,172 Special Voting Shares), Longbow Management Limited Partnership #21 (259,966 Common Shares and 259,966 Special Voting Shares) and Longbow Investment Management #22 Inc. (3,990,034 Common Shares and 3,990,034 Special Voting Shares). Mr. Birchall is the Vice-President of each of these entities.

DETAILS OF DISTRIBUTION**Item 5: Distribution date**

State the distribution date. If this report is being filed for securities distributed on more than one distribution date, state all distribution dates.

JUNE 24, 2016 and JUNE 29, 2016

Item 6: Number and type of securities

For each security distributed: describe the type of security; state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date; and if the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, state the exemption(s) relied on. If more than one exemption is relied on, state the amount raised using each exemption.

3,098,000 Common Shares – Section 2.3 of NI 45-106

140,000 Common Shares – Section 2.5 of NI 45-106

1,000,000 Special Voting Shares – Section 2.3 of NI 45-106

Item 7: Geographical information about purchasers

Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table information about securities issued as payment of commissions or finder's fees disclosed under item 9 of this report. The information provided in this table must reconcile with the information provided in item 8 and Schedules I and II.

Each jurisdiction where purchasers reside	Number of Purchasers	Price per security (Canadian \$) ¹	Total dollar value raised from purchasers in the jurisdiction (Canadian \$)
British Columbia	9	\$1.00	\$4,238,000.00
Alberta	120	\$1.00	\$64,387,000.00
Ontario	5	\$1.00	\$1,415,000.00
Saskatchewan	2	\$1.00	\$210,000.00
Other	2	\$1.00	\$5,000,000.00
Total number of Purchasers	138		
Total dollar value of distribution in all jurisdictions (Canadian \$)			\$75,250,000.00

Note 1: If securities are issued at different prices, list the highest and lowest price for which the securities were sold.

Item 8: Information about purchasers*Instructions*

A. If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, do not complete this table.

N/A

B. Information about the purchasers of securities under the distribution is required to be disclosed in different tables in this report. Complete

- the following table for each purchaser that is not an individual, and
- the tables in Schedules I and II of this report for each purchaser who is an individual.

Do not include in the tables information about securities issued as payment of commissions or finder's fees disclosed under item 9 of this report.

C. An issuer or underwriter completing this table in connection with a distribution using the exemption in subparagraph 6.1(1)(j) [*TSX Venture Exchange offering*] of National Instrument 45-106 *Prospectus and Registration Exemptions* may choose to replace the information in the first column with the total number of purchasers, whether individuals or not, by jurisdiction. If the issuer or underwriter chooses to do so, then the issuer or underwriter is not required to complete the second column or the tables in Schedules I and II.

Information about non-individual purchasers					
Full name and address of purchaser and name and telephone number of a contact person	Indicate if the purchaser is an insider (I) of the issuer or a registrant (R)	Number and type of securities purchased	Total purchase price (Canadian \$)	Exemption relied on	Date of distribution (yyyy-mm-dd)
MONTROSE DEVELOPMENT LTD. 850, 1040 West Georgia Vancouver, BC V6E 4H1 (604) 687-7804 (EXT 2) Contact: David Christopher	-	250,000 Common Shares	\$250,000.00	2.3 of NI 45-106	2016-06-24
CLOSING TIME LIMITED PARTNERSHIP Suite 802, 750 West Pender St. Vancouver, BC V6C 2T8 (403) 472-5769 Contact: Don Short		1,000,000 Common Shares 1,000,000 Special Voting Shares	\$2,000,000.00	2.3 of NI 45-106	2016-06-24

Commissions and finder's fees

Item 9: Commissions and finder's fees

Instructions

A. Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include information about payments for services incidental to the distribution, such as clerical, printing, legal or accounting services.

N/A

B. If the securities being issued as compensation are or include convertible securities, such as warrants or options, add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

Full name and address of the person being compensated	Indicate if the person being compensated is an insider (I) of the issuer or a registrant (R)	Compensation paid or to be paid (cash and/or securities)				
		Cash (Canadian \$)	Securities			Total dollar value of compensation (Canadian \$)
			Number and type of securities issued	Price per security (Canadian \$)	Exemption relied on and date of distribution (yyyy-mm-dd)	
N/A						

Certificate

On behalf of the [issuer/underwriter], I certify that the statements made in this report are true.

Date: July 31, 2016

NORTH 40 RESOURCES LTD.

Name of [issuer/underwriter] (please print)

P.L. (LONNY) TETLEY, CORPORATE SECRETARY

(403) 260-0141

Print name, title and telephone number of person signing

(signed) "P.L. (Lonny) Tetley"

Signature

Instruction

The person certifying this report must complete the information in the square brackets by deleting the inapplicable word. For electronic filings, substitute a typewritten signature for a manual signature.

Item 10: Contact information

State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.

Notice - Collection and use of personal information

The British Columbia Securities Commission collects and uses the personal information required to be included in this report for the administration and enforcement of the *Securities Act*. If you have any questions about the collection and use of this information, contact the British Columbia Securities Commission at the following address:

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre

701 West Georgia Street

Vancouver, British Columbia V7Y 1L2

Telephone: (604) 899-6500

Toll free across Canada: 1-800-373-6393

Facsimile: (604) 899-6581

