

COURT FILE NUMBER 1501-09424
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENTS WALDRON ENERGY CORPORATION
DOCUMENT **THIRD REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER AND
MANAGER OF WALDRON ENERGY
CORPORATION**

October 18, 2016

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. On August 17, 2015 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Property**”) of Waldron Energy Corporation (“**Waldron**” or the “**Company**”) pursuant to an Order of the Honourable Mr. Justice K.D. Yamauchi (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Company, to market and solicit offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. On April 4, 2016, this Honourable Court granted an Order which, *inter alia*, authorized and approved the execution of the asset purchase agreement (the “**Capital Oil APA**”) with Capital Oil Ltd. (“**Capital Oil**”) and authorized and directed the Receiver to take such additional steps to complete the transaction.
4. On August 24, 2016, this Honourable Court granted an Order which, *inter alia*, authorized Blake, Cassels & Graydon LLP, as escrow agent, to pay the deposit of Capital Oil into Court pending further order and direction from this Honourable Court, as Capital Oil was unable to complete the transaction as contemplated by the Capital Oil APA.
5. Also on August 24, 2016, this Honourable Court granted an Order (the “**Bonavista Sale Approval and Vesting Order**”) which, *inter alia*, authorized and approved the execution of the Bonavista APA (as defined below) and authorized and directed the Receiver to take such additional steps to complete the transaction. The Receiver closed the transaction with Bonavista (as defined below) on October 3, 2016.

6. The Receiver's reports and other publically available information in respect of these proceedings (the "**Receivership Proceedings**") are posted on the Receiver's website at <http://cfcanada.fticonsulting.com/waldron> (the "**Receiver's Website**").
7. The purpose of this report ("**Third Report**") is to:
 - (a) provide this Honourable Court with an update on the status of various aspects of the Receivership Proceedings; and
 - (b) to provide the Receiver's summary and comments with respect to its efforts to solicit offers to purchase the Remaining Assets (as defined below).
8. The Receiver is requesting the following relief from this Honourable Court:
 - (a) approval of the activities of the Receiver since the date of the Second Report dated August 16, 2016; and
 - (b) approval of the Sequoia APA (as defined below) and related relief.

TERMS OF REFERENCE

9. In preparing this Third Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").

10. Except as described in this Third Report:
 - (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
 - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this Third Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
11. Future oriented financial information reported or relied on in preparing this third Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
12. The Receiver has prepared this Third Report in connection with the Receiver's Application before the Justice sitting in Commercial Chambers Appearance Court on October 24, 2016. This report should not be relied on for other purposes.
13. Any information and advice described in this Third Report has been provided to the Receiver by its counsel, Blake, Cassels & Graydon LLP (the "**Receiver's Counsel**"), in order to assist the Receiver in considering its course of action, and is not intended as legal or other advice to, and may not be relied upon by, any other person.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BONAVISTA ASSET PURCHASE AGREEMENT

15. The Receiver and Bonavista Energy Corporation (“**Bonavista**”) entered into an asset purchase agreement (the “**Bonavista APA**”) dated August 15, 2016 and an escrow agreement (the “**Bonavista Escrow Agreement**”) subject to approval of this Honourable Court whereby Bonavista purchased certain of Waldron’s interests in its Ferrybank property (the “**Ferrybank Assets**”).
16. The Ferrybank Assets which, for greater certainty, were the only assets included in the Bonavista APA and comprised only a small portion of Waldron’s assets including three (3) operated and two (2) non-operated wells and associated lands, mineral rights and facilities and a gross overriding royalty on two sections of lands operated by Bonavista.
17. On August 24, 2016, this Honourable Court granted the Bonavista Sale Approval and Vesting Order and on August 29, 2016, in accordance with the Bonavista APA, Bonavista delivered the purchase price and the parties delivered the closing documents into escrow pursuant to the Bonavista Escrow Agreement.

Communication with the AER regarding the Bonavista APA

18. In accordance with the Bonavista APA, on August 29, 2016, Waldron submitted the licence transfer application to the AER.
19. On September 8, 2016, the AER sent a letter (the “**AER Letter**”) notifying the Receiver that, among other things, in order to approve the licence transfer application submitted in connection with the Bonavista APA a security deposit would be required due to Waldron’s post-transfer security adjusted LMR being below the 1.0 threshold.

20. In response to the AER Letter, and in order to facilitate the licence transfer application required to close the Bonavista APA, the Receiver provided the AER with (i) payment of Waldron's 2016 AER Administration Fees; and (ii) the required a security deposit (the "**AER Deposit**").
21. The Receiver funded the AER Deposit to the AER and on September 30, 2016, the AER provided the Receiver and Bonavista with confirmation of the approval of the licence transfer application. On October 3, 2016 the Receiver closed the sale in accordance with the Bonavista APA and collected the net proceeds (the "**Bonavista Proceeds**").
22. The Receiver is currently holding the Bonavista Proceeds and will be seeking a further order of this Honourable Court with respect to the distribution of these funds.

SEQUOIA RESOURCES CORPORATION ASSET PURCHASE AGREEMENT

23. The Receiver and Sequoia Resources Corporation ("**Sequoia**") entered into an asset purchase agreement (the "**Sequoia APA**") dated as of October 18, 2016. A copy of the Sequoia APA is attached hereto as Appendix "A", excluding the schedules. A full copy of the Sequoia APA has been provided to this Honourable Court.
24. A summary of the key non-commercial terms of the Sequoia APA are as follows:
 - (a) it is subject to the approval of, and the granting of, a vesting Order by this Honourable Court;
 - (b) the effective time shall be October 1, 2016;
 - (c) the closing date is the business day following the satisfaction or waiver of the conditions as set forth in the Sequoia APA; and

- (d) the closing payment, as set forth in the interim statement of adjustments, is payable in full at closing.
25. As described more fully above, the Ferrybank Assets comprised only a small portion of Waldron's assets. The Sequoia APA contemplates the sale of Waldron's remaining petroleum and natural gas interests (the "**Remaining Assets**"). For greater certainty the Ferrybank Assets and the Remaining Assets comprise all of Waldron's petroleum and natural gas interests.
26. The Remaining Assets include approximately 225 operated and non-operated wells and associated lands and mineral rights, 188 AER well licences, and 23 AER licenced facilities.

Communication with the AER regarding the Sequoia APA

27. The Receiver and Sequoia have communicated with the AER with respect to the licence transfer application that would be submitted in connection with the Sequoia APA.
28. On October 5, 2016, the Receiver and a representative from Sequoia attended a conference call with the AER with respect to the licence transfer application associated with the Remaining Assets and the Sequoia APA. The AER outlined that it would require Sequoia to submit a request to apply discretion with respect to AER Bulletin 2016-21 (the "**AER Bulletin**") which, among other things, requires a Licensee (as defined by the AER) to have a post-transfer liability management rating ("**LMR**") above 2.0.
29. On October 13, 2016, Sequoia submitted a request to the AER to apply discretion in accordance with the AER Bulletin to the licence transfer application in connection with the Sequoia APA.
30. The AER is currently reviewing Sequoia's request and the Receiver advises that AER has been provided notice of this application.

Marketing of the Remaining Assets

31. The Receiver has undertaken significant efforts to solicit interest in the Remaining Assets:
- (a) the Receiver launched a formal sale process led by Sayer Energy Advisors (“Sayer”) on September 28, 2015;
 - (b) Sayer ran an open and transparent process as more fully set out in the First Report and Second Report; and
 - (c) the Receiver has re-marketed the Remaining Assets on several occasions since the initial launching of the sale process in September 2015.
32. As set out above, the Receiver, with the assistance of Sayer, has undertaken extensive efforts to find a purchaser for the Remaining Assets for a protracted period. While several parties have expressed interest in the Remaining Assets, ultimately a transaction has not been completed primarily due to the following reasons:
- (a) the Remaining Assets are operating at negative cash flow;
 - (b) the Waldron LMR continues to decline on a monthly basis and accordingly potential purchasers were unable to fulfil the AER requirements in connection with the licence transfer application; and
 - (c) the Remaining Assets require significant capital expenditures in the immediate future.

33. The Sequoia APA would result in the sale of the Remaining Assets and the details of the proposed transaction are set out below:

- (a) Sequoia would receive the benefit of the AER Deposit however, it is assuming certain environmental liabilities and certain post-receivership costs that remain outstanding; accordingly, the net proceeds from the sale of the Remaining Assets would result in nil net recoveries to the Receiver after considering the liabilities being assumed by Sequoia.
- (b) the sale of the Remaining Assets would result in the continued operations of the properties by Sequoia and continued investment in same;
- (c) Sequoia would be responsible for all operating costs including payment of all property taxes from the effective time (October 1, 2016) onward;
- (d) Sequoia has had preliminary discussions with AER regarding the licence transfer application and is awaiting a response from the AER with respect to its request to apply discretion in connection with the requirements set out in the AER Bulletin; and
- (e) the closing of the Sequoia APA would take place as soon as practically possible after Court approval.

34. Sequoia has advised the Receiver of its intention to:

- (a) continue efforts to maintain and invest capital in the Remaining Assets;
- (b) integrate the Remaining Assets with its current operations and recent acquisitions in the area in order to grow its asset base; and
- (c) work with the AER in order to ensure the safe and responsible operation of the Remaining Assets.

35. The Receiver believes that the transaction contemplated by the Sequoia APA is the best alternative in the circumstances to the various stakeholders as it provides for the continued operations and investment in the Remaining Assets as opposed to the likely alternative of disclaiming/shutting in the Remaining Assets. The Receiver would also avoid the remedial costs and efforts of safely shutting in the production related to the Remaining Assets which could take a further 30 days and cost in excess of \$150,000 (comprising operating losses and costs required to shut-in the Remaining Assets). The urgency of completing any sale of the Remaining Assets is heightened due to the negative operating costs.
36. In addition, the transaction contemplated by the Sequoia APA provides for a new licensee for the Remaining Assets who will pay the property taxes owing to the Counties on a go forward basis.

Property Taxes of the Remaining Assets

37. As more fully described in the First Report, at the Date of Appointment, Waldron had outstanding property taxes owing to the Counties for 2015 (the “**2015 Property Taxes**”) in addition to assessments received by Waldron for 2016 (the “**2016 Property Taxes**”) and collectively with the 2015 Property Taxes, the “**Arrears**”).

38. The Receiver contacted the counties and municipalities (the “**Counties**”) to discuss the potential sale of the Remaining Assets given the unusual aspect of the sale. As there will be no net recoveries resulting from the sale of the Remaining Assets, there are no proceeds to pay the Arrears relating to the Remaining Assets. The proposed form of Sale Approval and Vesting Order (the “**Order**”) therefore seeks to relieve the Receiver and Sequoia from all liability for failure to make any payment of the Arrears (i.e. property taxes that are owing prior to the effective time of October 1, 2016) to the Counties relating to the Remaining Assets; however, Sequoia would be acquiring the assets to continue with the operations and would be responsible for operating costs and property taxes relating to the period after the effective time of October 1, 2016).
39. All of the Counties have been served with the materials in connection with the Receiver’s Application.

Receiver’s Analysis of the Sequoia APA

40. The Receiver has concluded that the Sequoia APA (the “**Transaction**”) represents the best realizable value that could reasonably be obtained for the Remaining Assets in the present circumstances based on the following:
- (a) the Remaining Assets have been adequately exposed to the market through the marketing process described in the Second Report (the “**Marketing Process**”);
 - (b) the Transaction is fair and commercially reasonable in the circumstances;
 - (c) the completion of the Transaction relating to the Remaining Assets, while providing no net recoveries to the estate, would allow the following:
 - (i) the properties will continue to be operated by Sequoia which benefits local suppliers, land owners and counties;

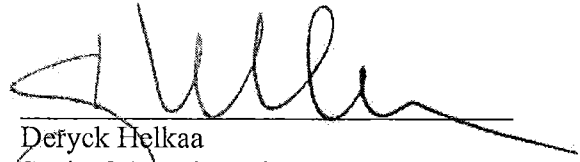
- (ii) avoids certain shut-in/disclaiming costs that would likely be incurred by the Receiver in the alternative; and
 - (iii) provides an orderly transition of the sale and operations of the Remaining of Assets.
- (d) the National Bank of Canada, the Company's largest secured creditor and the primary significant stakeholder in these Receivership Proceedings, supports the Receiver completing the Transaction.

CONCLUSION AND RECCOMENDATIONS

41. The Receiver, through the Marketing Process, has undertaken a broad and extensive process in an effort to solicit offers to purchase the Remaining Assets.
42. The Receiver is of the view that the Transaction is commercially reasonable and represents the best offers for the Remaining Assets in the circumstances.
43. The Receiver anticipates making a subsequent application to this Honourable Court seeking approval of a distribution of the sales proceeds in the near future.
44. The Receiver respectfully requests that this Honourable Court grant the following relief:
- (a) approve the activities of the Receiver since the date of the Second Report; and
 - (b) approve the Sequoia APA.

All of which is respectfully submitted this 18th day of October, 2016.

FTI Consulting Canada Inc. in its capacity as
Receiver of the assets, undertakings and properties of
Waldron Energy Corporation



A handwritten signature in black ink, appearing to read 'Deryck Helkaa', is written over a horizontal line. The signature is fluid and cursive.

Name:
Title:

Deryck Helkaa
Senior Managing Director,
FTI Consulting Canada Inc.

Tab A

ASSET PURCHASE AGREEMENT

BETWEEN:

**WALDRON ENERGY CORPORATION by and through its court-appointed receiver
FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of the assets,
properties and undertaking of Waldron Energy Corporation, and not in its personal
capacity**

- AND -

SEQUOIA RESOURCES CORP.

Dated as of October 18, 2016

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT dated as of the 18th day of October, 2016.

BETWEEN:

WALDRON ENERGY CORPORATION ("Waldron" or the "Debtor") by and through its court-appointed receiver **FTI CONSULTING CANADA INC.** (the "Receiver"), in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation and not in its personal capacity (the "Vendor")

- and -

SEQUOIA RESOURCES CORP. a corporation existing under the laws of the Province of Alberta (the "Purchaser")

WHEREAS the Receiver was appointed as receiver of the Property of Waldron pursuant to the terms of the Receivership Order granted on August 17, 2015;

AND WHEREAS the Vendor wishes to sell the Assets to the Purchaser and the Purchaser wishes to purchase the Assets from the Vendor, at arms' length, all upon and subject to the terms and conditions set forth in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, mutual covenants, agreements and warranties in this Agreement, the Parties covenant and agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals, this Section 1.1 and the Schedules attached hereto, unless the context otherwise requires, or unless otherwise defined herein, the following words and phrases shall have the following meanings:

- (a) **"Abandonment and Reclamation Liabilities"** means all past, present and future obligations and liabilities to:
 - (i) abandon the Wells and close, decommission, dismantle and remove all structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities and Tangibles that are or were located in or on the Lands or lands used or previously used in connection with the Lands; and
 - (ii) restore, remediate and reclaim any surface and subsurface locations of the Lands on which the Wells, structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities described in Section 1.1(a)(i) (including Wells, structures, foundations, buildings,

pipelines, seismic lines, equipment, tanks and other facilities which were abandoned or decommissioned prior to the date hereof) are or were located and all lands used to gain access to any of them;

all in accordance with generally accepted industry practices in the province where the Assets are located and in compliance with all Applicable Laws and the Title and Operating Documents.

- (b) "**Adjustment Payments**" means any payment required to be made by one Party to the other in connection with the adjustments made pursuant to Section 4.1.
- (c) "**AER**" means the Alberta Energy Regulator.
- (d) "**AER Approval**" means the approval of the AER to transfer the Permits from the Vendor to the Purchaser.
- (e) "**AER Waiver**" means confirmation from the AER that it will review the transfer of Permits to the Purchaser in accordance with Directive 006 and not apply Bulletin 2016-21, and which confirmation will not include a requirement for the Purchaser to post any deposit with the AER.
- (f) "**Affiliate**" means any Person that controls, is controlled by or is under common control with a Party, or which controls, is controlled by or under common control with a Person which controls such Party; for the purposes of this definition, the term "**controls**" and "**controlled by**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means, either directly or indirectly, that results in control in fact, provided that direct or indirect ownership of shares of a corporation carrying not less than fifty (50%) percent of the voting rights shall constitute control of such corporation. For certainty, a partnership which is a Party and which is comprised of corporations which are Affiliates shall be deemed to be an Affiliate of each such corporation and its other Affiliates.
- (g) "**Agreement**" means this Asset Purchase Agreement including the recitals hereto and the Schedules attached hereto.
- (h) "**Applicable Laws**" means, in relation to any Person, asset, transaction, event or circumstance:
 - (i) statutes (including regulations enacted thereunder);
 - (ii) judgments, decrees and orders of courts of competent jurisdiction;
 - (iii) regulations, orders, ordinances and directives issued by Government Authorities; and
 - (iv) the terms and conditions of all permits, licenses, approvals and authorizations;

which are applicable to such Person, asset, transaction, event or circumstance.

- (i) "**Assets**" means all of the remaining rights, interests and assets of the Debtor, including all of the Debtor's right, title, estate and interest in the Petroleum and Natural Gas Rights, the Miscellaneous Interests and the Tangibles, but excluding the Excluded Assets and the Excluded Contracts.
- (j) "**Assumed Obligations**" has the meaning set forth in Section 3.1(a).
- (k) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta.
- (l) "**Claim**" means any claim, actions, causes of action, demand, lawsuit, proceeding, judgment, awards, decrees, determinations, adjudications, writs, orders, pronouncements, audits, arbitration, mediation, hearings, investigations, governmental investigation or actions of every kind, nature or description, in each case, whether asserted, threatened, pending, contingent or existing, and whether based on contract, tort, statute or other legal or equitable theory of recovery.
- (m) "**Closing**" means the transfer of possession, risk, beneficial and legal ownership of the Assets from the Vendor to the Purchaser, the exchange of Conveyance Documents and other documents contemplated to be exchanged between the Parties on the Closing Date, and all other items and consideration required to be delivered on the Closing Date pursuant hereto.
- (n) "**Closing Date**" has the meaning provided in Section 5.1.
- (o) "**Closing Payment**" has the meaning provided in Section 3.2.
- (p) "**Conveyance Documents**" means all conveyances, assignments, transfers, novations, notices of assignment, trust agreements and declarations, subleases, directions to pay and other documents and instruments that are reasonably required or desirable in accordance with generally accepted oil and gas industry practice in the province where the Assets are located, to convey, assign and transfer title to the Assets held in the name of the Debtor to the Purchaser and to novate the Purchaser or its Affiliates in the place and stead of the Debtor or its Affiliates with respect to the Assets.
- (q) "**Court**" means the Court of Queen's Bench of Alberta.
- (r) "**Court Approval**" means the approval of the Transaction by the Court and the vesting of the Assets in the name of the Purchaser free and clear of any Encumbrances other than the Permitted Encumbrances, and providing for the sealing of the terms of this Agreement, substantially in the form attached hereto as Schedule "D".
- (s) "**Data Room Information**" means all information provided to the Purchaser in electronic form in relation to the Debtor and/or the Assets.
- (t) "**Debtor**" is as defined in the preamble.
- (u) "**dollar**" and "**\$**" mean a dollar of the lawful money of Canada.

- (v) **"Effective Time"** means 12:01 a.m. MST on October 1, 2016.
- (w) **"Encumbrance"** means all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, royalties, pledges, options, privilege, interests, assignments, actions, executions, levies, taxes, judgments, writs of execution, lease, reservation of ownership, rights of pre-emption, claims (whether financial, monetary or otherwise) or charges, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including, without limiting the generality of the foregoing, and encumbrances or charges created by the Receivership Order or any other order in the Receivership Proceedings and all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system.
- (x) **"Environment"** means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.
- (y) **"Environmental Law"** means all Applicable Laws respecting the protection of, or the control, remediation or reclamation of contamination or pollution of, the Environment or any part thereof.
- (z) **"Environmental Liabilities"** means all past, present and future obligations and liabilities of whatsoever nature or kind arising from or relating to, directly or indirectly:
 - (i) Environmental Matters;
 - (ii) past, present and future non-compliance with, violation of or liability under Environmental Laws relating to or arising in connection with the ownership or control of the Assets; or
 - (iii) Abandonment and Reclamation Liabilities,whenever occurring or arising.
- (aa) **"Environmental Matters"** means any activity, event or circumstance in respect of or relating to:
 - (i) the storage, use, holding, collection, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling, transportation or Release of Hazardous Substances;
 - (ii) the protection of the Environment; or
 - (iii) pollution, reclamation, remediation or restoration of the Environment;

in each case relating to or arising in connection with the ownership or control of the Lands or the Assets or that has or have arisen or hereafter arise from or in respect of past, present or future Operations, activities or omissions in or on the Lands or in respect of the Assets, including obligations to compensate Third Parties for Losses and Liabilities.

- (bb) "**Excluded Assets**" means the assets listed in Schedule "A", Part 5.
- (cc) "**Excluded Contracts**" means those contracts listed in Schedule "A", Part 6.
- (dd) "**Existing AER Deposit**" means the security deposit in the amount of \$725,002.68 which has been posted by the Vendor to the AER in respect of the Assets prior to the date hereof.
- (ee) "**Facilities**" means the Debtor's entire interest in the facilities related to the Assets including the facilities described in Schedule "A", Part 4.
- (ff) "**Final Statement of Adjustments**" has the meaning provided in Section 4.2(b).
- (gg) "**General Conveyance**" means the general conveyance in the form attached as Schedule "B".
- (hh) "**Government Authority**" means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, or department, including any government-owned entity, having jurisdiction over a Party, the Assets or the Transaction.
- (ii) "**GST**" means the goods and services tax required to be paid pursuant to the *Excise Tax Act* (Canada) and in accordance with Section 3.3(a).
- (jj) "**Hazardous Substances**" means hazardous or toxic substances, hazardous wastes, radioactive substances, asbestos, dangerous goods and Petroleum Substances, including any and all substances and wastes regulated under Environmental Law.
- (kk) "**Indemnity Agreement**" means the Indemnity Agreement to be entered into between the Purchaser and FTI Consulting Canada Inc. in respect of the Assumed Obligations.
- (ll) "**Interim Statement of Adjustments**" has the meaning provided in Section 4.2(a).
- (mm) "**Land Schedule**" means the lands listed in Schedule "A", Part 1.
- (nn) "**Lands**" means the entire interest of Debtor as of the Effective Time in and to the lands set forth and described in the Land Schedule, and includes (i) unless the context otherwise requires, the surface of such lands and (ii) the Petroleum Substances within, upon or under such lands, together with the rights to mine for, drill for, explore for, win, take, own or remove same, insofar as the same are granted by the Leases to such lands.

(oo) "**Leases**" means the leases, reservations, permits, licenses or other documents of title set forth and described in the Land Schedule by virtue of which the holder thereof is entitled to drill for, explore for, mine, win, take, own or remove Petroleum Substances underlying the Lands and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefor.

(pp) "**Losses and Liabilities**" means, in relation to a matter, any and all:

- (i) losses, costs, damages, expenses and charges (including all penalties, assessments and fines) which a party suffers, sustains, pays or incurs, directly or indirectly, in connection with such matter and includes costs of legal counsel (on a full indemnity basis) and other professional advisors and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained and includes taxes payable on any settlement payment or damage award in respect of such matter; and
- (ii) liabilities and obligations (whether under common law, in equity, under Applicable Law or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which a party suffers, sustains, pays or incurs as a result of or in connection with such matter;

but excluding indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by a party.

(qq) "**Miscellaneous Interests**" means all of the right, title, interest and estate of the Debtor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum and Natural Gas Rights, the Tangibles, the Excluded Assets and Excluded Contracts), to the extent relating to the Petroleum and Natural Gas Rights, the Tangibles or the Lands, and to which the Debtor is entitled at the Effective Time, including the following property, rights and assets:

- (i) all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Petroleum and Natural Gas Rights, the Tangibles or the Lands, including the Title and Operating Documents and any rights of the Debtor in relation thereto, but excluding the Excluded Contracts;
- (ii) the Surface Interests and all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Surface Interests, including the Title and Operating Documents and any rights of the Debtor in relation thereto;
- (iii) geological, geochemical and mineralogical data, reports and findings and archive samples, and all core or liquid samples and cuttings;

- (iv) all engineering and technical information, to the extent relating to the Petroleum and Natural Gas Rights, the Tangibles or the Lands which the Debtor has in its custody or has access, excluding any such information which is subject to confidentiality restrictions;
 - (v) all Permits, licenses, approvals, orders and other authorizations, crossing privileges and other subsisting rights to carry out Operations on the Lands and any lands upon which the Tangibles or Wells are located, including well and pipeline licenses and other Permits, licenses, approvals, orders and other authorizations relating to the Petroleum and Natural Gas Rights, the Tangibles, the Wells or the Lands;
 - (vi) the Wells, including the entire wellbores and casings, and all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Wells, including the Title and Operating Documents and any rights of the Debtor in relation thereto;
 - (vii) the limited rights to the Seismic Data, as a licensee granted pursuant to the Seismic Data License;
 - (viii) all books, binders, plotters, information pertaining to the Assets, equipment, documents relating to previous AFE invoices and production records; and
 - (ix) all rights, title and interest of Vendor in and to the Existing AER Deposit.
- (rr) **"Municipal Taxes"** means the aggregate of all local improvement rates and charges, frontage taxes, parcel taxes, duties, municipal realty, water, school, hospital and other taxes, general and special assessments, reserves, deferred reserves, rates, levies and impositions, general or specific, ordinary or extraordinary, foreseen or unforeseen, now imposed, assessed or levied or which may hereafter be imposed, assessed or levied by or become due to any federal, provincial, municipal, regional, First Nation Band Council, tribunal, school or other taxing commission or authority in respect of the Assets, including any interest charges, penalties, late fees, arrears, reassessments and adjustments relating thereto.
- (ss) **"Operations"** means any and all work, activities and operations of any kind whatsoever conducted on or with respect to the Assets.
- (tt) **"Party"** means the Vendor or the Purchaser, and **"Parties"** means the Vendor and the Purchaser.
- (uu) **"Permits"** means all licences, permits, approvals and authorizations granted or issued by any Government Authorities and relating to the construction, installation, ownership, use or operation of the Assets.

- (vv) **"Permitted Encumbrances"** means any of the following, and excepting any Encumbrances which relate to Municipal Taxes for any periods prior to the Effective Time:
- (i) easements, rights of way, servitudes, permits, licenses and other similar rights in land, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cable;
 - (ii) the right reserved to or vested in any Government Authority by the terms of any Title and Operating Document, lease, license, franchise, grant or permit or by any Applicable Law, to terminate any such Title and Operating Document, lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;
 - (iii) the right reserved to or vested in any Government Authority to levy taxes on Petroleum Substances or the income or revenue attributable thereto and governmental requirements and limitations of general application;
 - (iv) rights reserved to or vested in any Government Authority to control or regulate any of the Assets in any manner;
 - (v) liens granted in the ordinary course of business to a public utility or Government Authority in connection with operations on or in respect of the Lands;
 - (vi) the express or implied reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Lands or interests therein and statutory exceptions to title;
 - (vii) all royalty burdens, liens, adverse claims, penalties, conversions and other Encumbrances identified in the Land Schedule;
 - (viii) contracts for the purchase, processing, transportation or storage of Petroleum Substances or for the contract operation of any of the Assets that are terminable without penalty on thirty one (31) days or less notice;
 - (ix) the terms and conditions of the Leases and the Title and Operating Documents; and
 - (x) any other circumstance, matter or thing disclosed in any Schedule hereto.

Additionally, the following items must be identified in a Schedule to qualify as a Permitted Encumbrance: (A) any overriding royalty, net profits or other similar encumbrance applicable to the Petroleum and Natural Gas Rights for which Purchaser will assume the obligation for payment; (B) any existing potential alteration of the Debtor's interests in the Assets because of a payout conversion or farm-in, farm-out or other similar agreement; and (C) any security interest

which would not be a Permitted Encumbrance under the preceding paragraphs of this definition.

- (ww) "**Person**" means any individual, company, corporation, limited or unlimited liability company, sole proprietorship, joint venture, partnership (limited or general), trust, trustee, executor, Government Authority or other entity.
- (xx) "**Petroleum and Natural Gas Rights**" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Debtor in and to the Lands and the Leases, subject in all events to the Permitted Encumbrances, as more particularly set out in Schedule "A", Part 3.
- (yy) "**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to or produced in conjunction with any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and hydrogen sulphide.
- (zz) "**Place of Closing**" means the offices of Blake, Cassels & Graydon LLP at 3500, 855 – 2nd Street S.W. in the City of Calgary in the Province of Alberta, or as otherwise agreed to in writing by the Parties.
- (aaa) "**Prime Rate**" means the rate of interest (expressed as a rate per annum) used by the main branch of the National Bank in Calgary, Alberta from time to time as the reference rate used in determining the rates of interest payable on Canadian dollar commercial demand loans made by such bank in Canada and which is announced by such bank, from time to time, as its "prime rate".
- (bbb) "**Property**" has the meaning given to it in the Receivership Order.
- (ccc) "**Receivership Order**" means the order issued by the Court in the Receivership Proceedings on August 17, 2015, as amended, modified or supplemented from time to time.
- (ddd) "**Receivership Proceedings**" means the proceedings before the Court and identified as Court File No. 1501-09424.
- (eee) "**Release**" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of a Hazardous Substance into or through the Environment or into or out of any lands, including the movement of a Hazardous Substance through or in any part of the Environment.
- (fff) "**Representatives**" means, with, respect to any Party, the respective directors, officers, servants, agents, advisors, employees, consultants and representatives of that Party.
- (ggg) "**Seismic Data**" has the meaning ascribed thereto in the Seismic Data License.

- (hhh) "**Seismic Data License**" means a non-exclusive, irrevocable, worldwide royalty and fee free, license granted to Vendor by Divestco Inc. pursuant to a Seismic Data Licensing Agreement between Vendor and Divestco Inc., dated January 27, 2016, and attached hereto as Schedule "E".
- (iii) "**Seismic Data License Assignment**" means the assignment agreement to be entered into between Vendor and Purchaser as of the Closing Date whereby Vendor will assign the Seismic Data License to Purchaser in accordance with the terms of the Seismic Data License.
- (jjj) "**Surface Interests**" means all right, title, interest and estate of the Debtor to enter upon, use, occupy and enjoy the surface of the Lands, and any lands with which the same have been pooled or unitized, and any lands upon which the Wells or the Tangibles are located and any lands used to gain access thereto or egress therefrom, in each case, for purposes related to the use or ownership of the Petroleum and Natural Gas Rights, the Tangibles or Wells or Operations, whether the same are held in fee simple, under a surface lease, by right of way, easement, license of occupation or otherwise.
- (kkk) "**Tangibles**" means, collectively, (i) all of the right, title, interest and estate of the Debtor in the Facilities; and (ii) all right, title, interest and estate of the Debtor and whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to the tangible depreciable property and assets located within, upon, to the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable Petroleum Substances or in connection with water condensate, injection or removal operations or other *in situ* operations that pertain to the Petroleum and Natural Gas Rights, but excluding the Excluded Assets and Excluded Contracts.
- (lll) "**Tax Act**" means the *Income Tax Act* (Canada).
- (mmm) "**Third Party**" means any Person other than the Parties, their Affiliates or their respective Representatives.
- (nnn) "**Title and Operating Documents**" means all agreements, contracts, instruments and other documents that govern the ownership, operation or use of the Assets or relate to Permitted Encumbrances, including (i) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created, (ii) Permits, licenses, approvals, orders and authorizations, (iii) operating agreements, pooling agreements, unit agreements, production allocation agreements, trust declarations, participation agreements, joint venture agreements, farm-in agreements, farm-out agreements and royalty agreements, (iv) agreements that create or relate to Surface Interests, including surface rights documentation and road use agreements, (v) agreements for the construction, ownership and/or operation of the Tangibles and the Wells, (vi) trust declarations and other documents and instruments that evidence the Debtor's interests in the Assets; and (vii) trust declarations pursuant to which the Debtor hold interests in the Lands in trust for other Persons.
- (ooo) "**Transaction**" means the transaction for the purchase and sale of the Assets as contemplated by this Agreement.

- (ppp) **"Vendor Consents"** has the meaning provided in Section 8.1.
- (qqq) **"Vendor Entities"** means the Vendor and its Representatives, and each of their respective successors and assigns.
- (rrr) **"Wells"** means all wells located on the Lands, other than as it relates to the Excluded Assets, including all producing, shut in, abandoned, suspended, capped, water source, service, observation, delineation, injection and disposal wells, and includes, but is not limited to, any well set out in Schedule A, Part 2.

1.2 Interpretation

The following rules of construction shall apply to this Agreement unless the context otherwise requires:

- (a) the headings in this Agreement are inserted for convenience of reference only and shall not affect the meaning, interpretation or construction of this Agreement;
- (b) all documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of a conflict;
- (c) any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and in force at the date hereof;
- (d) whenever the singular or masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or referring to a body politic or corporate, and *vice versa*, as the context requires;
- (e) the words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and not to any particular provision of this Agreement;
- (f) reference to any Article, Section or Schedule means an Article, Section or Schedule of this Agreement unless otherwise specified;
- (g) if any provision of a Schedule hereto conflicts with or is at variance with any provision in the body of this Agreement, the provisions in the body of this Agreement shall prevail to the extent of the conflict; and
- (h) "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.3 Schedules

The following schedules are attached to and form part of this Agreement:

| | |
|--------------|---------------------------|
| SCHEDULE "A" | |
| Part 1 | Lands, Leases and Permits |
| Part 2 | Wells |

| | |
|--------------|----------------------------------|
| Part 3 | Petroleum and Natural Gas Rights |
| Part 4 | Facilities |
| Part 5 | Excluded Assets |
| Part 6 | Excluded Contracts |
| SCHEDULE "B" | Form of General Conveyance |
| SCHEDULE "C" | Form of Officer's Certificate |
| SCHEDULE "D" | Form of Court Approval Order |
| SCHEDULE "E" | Seismic Data License |

1.4 Interpretation If Closing Does Not Occur

If Closing does not occur, each provision of this Agreement which presumes that the Purchaser has acquired the Assets shall be construed as having been contingent upon Closing having occurred.

1.5 Knowledge or Awareness

References to a Party's knowledge or awareness and similar references contained in Sections 10.1 and 10.3 mean the actual knowledge or awareness, as the case may be, of the officers of such Party who are primarily responsible for the matters in question, and does not include knowledge and awareness of any other Person or any other Person or any constructive or imputed knowledge. A Party shall not have any obligation to make inquiry of any Person or the files and records of any Person or of any Government Authority in connection with any representations and warranties contained herein that are made to its knowledge, information, belief or awareness.

ARTICLE 2 PURCHASE AND SALE

2.1 Purchase and Sale

Subject to the terms and conditions of this Agreement, the Vendor hereby agrees to sell, assign, transfer, convey and set over the Assets to the Purchaser, and the Purchaser agrees to purchase and accept the Assets from the Vendor, in consideration for the Purchaser assuming the Assumed Obligations.

2.2 Transfer of Assets

Provided that Closing occurs, and subject to the terms and conditions of this Agreement, possession, risk, beneficial and legal ownership of the Assets shall transfer from the Vendor to the Purchaser on the Closing Date.

2.3 Excluded Liabilities

The Purchaser shall not assume any liabilities or obligations of the Vendor other than as may be specifically provided in this Agreement.

**ARTICLE 3
ASSUMED OBLIGATIONS AND CLOSING PAYMENT**

3.1 Assumed Obligations

- (a) Provided that Closing occurs and subject to the terms and conditions of the Court Approval, the Purchaser shall assume all past, present and future obligations in respect of all rentals, royalties, taxes (other than income taxes) and other periodic payments which accrue to the Assets (including without limitation, unpaid surface lease rentals, mineral lease rentals, Crown royalties and freehold royalties) and any Environmental Liabilities pertaining to the Assets, but not including the Municipal Taxes relating to any periods prior to the Effective Time (collectively, the "**Assumed Obligations**"). For the avoidance of doubt, the Purchaser shall be responsible to pay and discharge in a timely fashion all of the Assumed Obligations which are outstanding as of the Closing Date.
- (b) Provided Closing occurs Vendor agrees that within one (1) Business Day of the AER returning or refunding all or any portion of the Existing AER Deposit to the Vendor, the Vendor shall pay to the Purchaser the portion of the Existing AER Deposit actually returned or refunded to the Vendor from the AER.

3.2 Closing Payment

The Purchaser shall pay to the Vendor at Closing, or the Vendor shall pay to the Purchaser at Closing, as applicable, by certified cheque, bank draft or electronic wire transfer, any Adjustment Payments as set forth in the Interim Statement of Adjustments, if applicable, plus any taxes and fees (including GST) payable under Section 3.3 (the "**Closing Payment**").

3.3 Taxes and Fees

- (a) The Purchaser shall be liable for the payment and remittance of any GST payable in respect of the purchase of the Assets pursuant hereto, including any interest, penalties, or any other costs payable in respect of such additional GST, and shall indemnify and save harmless the Vendor in respect thereof. The GST Registration Number of Waldron is 87371 1170 RT0002. The GST Registration Number of the Purchaser is 86581 0881 RT0001.
- (b) The Purchaser shall also be liable for and shall pay any and all land transfer taxes, federal or provincial sales taxes and all other taxes, duties or other similar charges properly payable upon and in connection with the conveyance and transfer of the Assets by the Vendor to the Purchaser and the Purchaser shall be responsible for all recording charges and registration fees payable in connection therewith.

3.4 Tax Election

The Purchaser and Vendor each acknowledge and agree that the purchase and sale of the Assets is to be carried out in accordance with section 66.7 of the Tax Act and that the Parties will jointly elect pursuant to paragraphs 66.7(7) and 66.7(8) of the Tax Act in the prescribed form and within the time referred to in the Tax Act.

ARTICLE 4 ADJUSTMENTS

4.1 Adjustments

- (a) All costs and revenues accruing, payable, paid, received or receivable in respect of the Assets, maintenance, development, capital and operating costs, advances, and payments with respect to Permitted Encumbrances shall be apportioned between the Vendor and the Purchaser as of the Effective Time, and shall be settled between the Parties by virtue of Adjustment Payments, on and subject to the following:
 - (i) except as otherwise provided in this Section 4.1, all such costs and revenues accruing up to the Effective Time shall be for the account of the Vendor and all such costs and revenues accruing after the Effective Time shall be for the account of the Purchaser;
 - (ii) all such revenues accruing up to the Effective Time shall be for the Vendor's account, regardless of whether such revenues are received or receivable prior to or after the Effective Time and Purchaser shall hold in trust for, on behalf of and pay to the Vendor any such revenues received by the Purchaser, and all such revenues accruing after the Effective Time shall be for the Purchaser's account, regardless of whether such revenues are received or receivable prior to or after the Effective Time, and Vendor shall hold in trust for, on behalf of and pay to the Purchaser any such revenues received by the Vendor;
 - (iii) all costs of whatever nature that pertain to work performed or goods or services provided with respect to the Assets prior to the Effective Time, shall be borne by the Vendor, regardless of the time at which those costs become payable and all costs of whatever nature that pertain to work performed or goods or services provided with respect to the Assets after the Effective Time, shall be borne by the Purchaser, regardless of the time at which those costs become payable;
 - (iv) all costs pertaining to the Assumed Obligations will be for the account of Purchaser regardless of when such costs arose or accrued;
 - (v) there shall not be any adjustment on account of income taxes; and
 - (vi) in accordance with the Court Approval, the Purchaser shall have no obligation with respect to any property taxes or municipal taxes in respect of the Assets, including the Municipal Taxes, which arise or accrue or are payable prior to the Effective Time.
- (b) The effective time for income tax purposes shall be the Effective Time.
- (c) All adjustments to be made pursuant to this Section 4.1 shall be allocated to the Petroleum and Natural Gas Rights.

4.2 Statement of Adjustments

- (a) The Vendor shall carry out an accounting and adjustment and prepare and deliver to the Purchaser at least three (3) Business Days prior to the Closing Date a statement setting forth the Vendor's good faith estimate of all adjustments to be made for the Transaction (the "**Interim Statement of Adjustments**") in accordance with the foregoing Section 4.1. Vendor shall make available to Purchaser all information reasonably necessary for Purchaser to understand and confirm the calculations in that statement and the Parties shall agree upon the Interim Statement of Adjustments.
- (b) Within ninety (90) days following the Closing Date, the Vendor shall prepare and deliver, and the Purchaser shall cooperate in preparing, a final statement of all adjustments and payments ("**Final Statement of Adjustments**"); on the basis of the information available within that period, to be made pursuant to Section 4.1 including any settlement payment required to be made by either Party as a result of differences between the Final Statement of Adjustments and the Interim Statement of Adjustments.
- (c) During the thirty (30) days following receipt by the Purchaser of the Final Statement of Adjustments, either Party may audit the books, records and accounts of the other Party and their successors and assigns respecting the Assets and Final Statement of Adjustments, for the purpose of confirming settlement payments pursuant to this Section. Such audit shall be conducted upon reasonable notice to the other Party at the non-auditing Party's offices during normal business hours, and shall be conducted at the sole expense of the auditing Party. Any claims of discrepancies disclosed by such audit shall be made in writing to the other Party within thirty (30) days following the receipt by the Purchaser of the Final Statement of Adjustments, and either Party shall respond in writing to any claims of discrepancies within ten (10) days of the receipt of such claims. If the Vendor and Purchaser are unable to agree on any matter relating to the Final Statement of Adjustments after Closing then either Party may seek the advice and direction of the Court. Notwithstanding the foregoing, the Vendor shall have no right to any of the Purchaser's documentation relating to the determination of any Adjustment Payments.
- (d) All adjustments shall be settled by the prompt payment by any Party obliged to make payment pursuant to this Agreement by virtue of making an Adjustment Payment to the other Party. Interest at the Prime Rate plus one percent per annum shall be paid on any settlement payment which remains unpaid by one Party to the other Party when due, with such interest accruing from the date such amount is due to the date payment is made.
- (e) Subject only to this Section 4.2, the Final Statement of Adjustments shall constitute the final accounting between the Parties in respect of costs and revenues accruing, payable, paid, received or receivable in respect of the Assets, shall be binding on the Parties and shall not be subject to dispute. For certainty, notwithstanding any other provision in this Agreement, save pursuant to the Final Statement of Adjustments, there shall be no further adjustments made between the Parties in respect of any costs or revenues accruing, payable, paid, received or receivable in respect of the Assets, including rentals, maintenance,

development, capital and operating costs, advances, and payments with respect to Permitted Encumbrances, including, but not limited to, any costs or revenues that are disclosed or adjusted as a consequence of any subsequent joint venture audits, royalty adjustments or similar audit or adjustment procedures pursuant to the Title and Operating Documents or Applicable Law.

- (f) The Purchaser and the Vendor will each bear their own fees and expenses, including the fees and expenses of their respective accountants and auditors, in preparing or reviewing, as the case may be, the Final Statement of Adjustments.

ARTICLE 5 CLOSING

5.1 Closing

The Closing of the Transaction shall take place at the Place of Closing or such other place as the Parties may agree on the first (1st) Business Day following the satisfaction or waiver, as applicable, of the conditions set forth in Sections 9.1(f) and 9.2(g), or such other Business Day as agreed to by the Parties in writing (the "**Closing Date**").

ARTICLE 6 INTERIM PROVISIONS

6.1 Assets to be Maintained

Until the Closing Date, the Vendor shall, subject to the Title and Operating Documents:

- (a) subject to the terms of the Receivership Order, cause the Assets to be maintained in a proper and prudent manner in accordance with generally accepted industry practices;
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due prior to the Closing Date; and
- (c) subject to the terms of the Receivership Order, perform and comply in all material respects with the covenants and conditions contained in the Title and Operating Documents to be performed or complied with by the Vendor prior to Closing, subject to the Vendor's obligation to assume the Assumed Obligations.

6.2 Restrictions on Conduct of Business

The Vendor shall not, between the date of this Agreement and the Closing Date, without the written consent of the Purchaser, which consent will not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure out of the ordinary course of business with respect to the Assets, of which the Debtor's share is in excess of TWENTY FIVE THOUSAND DOLLARS (\$25,000.00), except in the case of an emergency or as may be reasonably necessary to protect or ensure life and safety or to preserve the Assets or title to the Assets (including Lease rental payments) or in respect of amounts which the

Vendor may be committed to expend or be deemed to authorize for expenditure without its consent;

- (b) other than in the ordinary course of business, materially amend or terminate any agreement or instrument relating to the Assets or enter into any new agreement or commitment relating to the Assets, except as may be reasonably necessary to protect or ensure life and safety or to preserve the Assets or title to the Assets;
- (c) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and the Purchaser does not provide same in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without any right to an Adjustment Payment in respect thereof;
- (d) sell, encumber or otherwise dispose of any of the Assets or any interest therein;
or
- (e) exercise any right or option of the Debtor relative to or arising as a result of the ownership of the Assets.

6.3 Following Closing

- (a) Following Closing, Vendor shall hold title to the Assets in trust for Purchaser, as bare legal trustee, until all necessary notifications, registrations and other steps required to transfer such title to Purchaser have been completed and, in furtherance thereof:
 - (i) the Vendor shall forward all statements, notices and other information received by it pursuant to such Title and Operating Document that pertains to the Assets to Purchaser promptly following its receipt thereof; and
 - (ii) the Vendor shall forward to other parties to the Title and Operating Documents such notices and elections pursuant to such Title and Operating Documents pertaining to the Assets as Purchaser may reasonably request;

provided that the Vendor shall not be required to initiate or conduct Operations in relation to the Assets.

- (b) Purchaser shall indemnify and save and hold harmless the Vendor Entities from and against all Losses and Liabilities arising as a consequence of the provisions of this Section 6.3, except to the extent caused by the gross negligence or wilful misconduct of the Vendor Entities. Acts or omissions taken by the Vendor Entities on the instructions of, or with the express written approval of the Purchaser shall not constitute gross negligence or wilful misconduct.

ARTICLE 7
ACCESS TO INFORMATION AND RECORDS AND TAX MATTERS

7.1 Technical and Operating Information

The Vendor shall, upon request and subject to contractual restrictions relating to disclosure, make available all technical data relating to the Assets (including, as may be available, Seismic Data, drilling reports, land files, surface disposition files, environmental files, well files and production records, but excluding data and information which are subject to confidentiality restrictions prohibiting their disclosure) as are in the possession or control of the Vendor or the Debtor for such inspection as the Purchaser reasonably requires in connection herewith. Upon reasonable written notice to the Vendor the Purchaser shall be entitled to conduct a field inspection of the Lands.

7.2 No Right to Adjustment Payments

Notwithstanding anything to the contrary in this Agreement, the Purchaser acknowledges and agrees that it shall have no right or other entitlement to any Adjustment Payments as a result of, arising from or in connection with any deficiency or allegation of deficiency in respect of the Assets, including, without limitation, any Environmental Liability or deficiency or title deficiency, whether identified in connection with the Purchaser's right to information as provided by Section 7.1 or otherwise.

7.3 Access to Records

The Vendor may, at its sole expense, for a period of two (2) years after Closing, request from the Purchaser copies or photocopies of any Title and Operating Documents, correspondence, documents, records, policies, manuals, reports, or other proprietary, confidential business or technical information which were delivered to the Purchaser at Closing by the Vendor and which the Vendor reasonably requires. The Purchaser shall, at the cost of the Vendor, use reasonable commercial efforts to provide the Vendor with the requested documentation.

7.4 Tax Matters

The Vendor shall duly and on a timely basis file all tax returns as may be required to be filed in respect of the Vendor as requested by the Purchaser, to be prepared by a Third Party accounting firm agreed to by the Parties and prepared at the Purchaser's sole cost. Vendor shall, for a period ending at such date that is two (2) years from the Closing Date, upon reasonable notice to the Vendor and subject to contractual restrictions relative to disclosure, to the extent available to the Vendor, give access to the Purchaser and its representatives during normal business hours to such files, reports and data pertaining to the Vendor in respect of all matters arising or relating to any period of time if such records or information would be necessary, helpful or beneficial to the Purchaser in connection with the preparation of tax returns for and on behalf of the Vendor.

ARTICLE 8 THIRD PARTY CONSENTS

8.1 Consents

The Parties acknowledge and agree that the sale of the Assets under this Agreement includes all or substantially all of the assets of the Vendor and, as a result thereof, the Transaction does not trigger any rights of first refusal on the basis that any rights of first refusal contain an exemption for the sale of all or substantially all of the assets of the Vendor.

The Vendor shall, forthwith upon execution of this Agreement, use commercially reasonable efforts to identify and request in writing all necessary consents, permissions and approvals by Third Parties (including the waiver of all rights of first refusal (if any)) and Government Authorities in connection with the Transaction customarily obtained by a vendor prior to Closing (the "**Vendor Consents**").

ARTICLE 9 CONDITIONS PRECEDENT TO CLOSING

9.1 Vendor's Closing Conditions

The obligation of the Vendor to complete the sale of the Assets pursuant to this Agreement is subject to the satisfaction at or prior to the Closing Date of the following conditions precedent:

- (a) **Representations and Warranties True:** All representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects on the Closing Date, and the Vendor shall have received a certificate from an officer of the Purchaser substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (b) **Purchaser's Obligations:** The Purchaser shall have, in all material respects, timely performed and satisfied all obligations required by this Agreement to be performed and satisfied by the Purchaser on or prior to the Closing Date;
- (c) **Conveyance Documents:** The Purchaser shall have executed and delivered to the Vendor all Conveyance Documents required under Section 12.1(a) and the General Conveyance;
- (d) **Restrictions:** All Vendor Consents, as well as all necessary governmental and other regulatory approvals to the sale of the Assets that are required prior to Closing shall have been obtained without conditions;
- (e) **No Injunction:** There will not be any judicial restraining order or injunction, preliminary or otherwise, in effect prohibiting the Closing or the Transaction; and
- (f) **Court Approval:** The Court Approval shall have been obtained.

The foregoing conditions shall be for the benefit of the Vendor and may, without prejudice to any of the rights of the Vendor hereunder excluding reliance on or enforcement of any representations, warranties or covenants dealing with the subject of or similar to the condition waived, be waived by it in writing, in whole or in part, at any time, provided that the Vendor is

not entitled to waive the Court Approval condition contained in Section 9.1(f). The Vendor shall proceed diligently and in good faith and use all commercially reasonable efforts to fulfill and assist in the fulfillment of the foregoing conditions in case any of the said conditions shall not be complied with, or waived by the Vendor, at or before the Closing Date, the Vendor may terminate this Agreement by written notice to the Purchaser.

9.2 Purchaser's Closing Conditions

The obligation of the Purchaser to complete the purchase of the Assets pursuant to this Agreement is subject to the satisfaction, at or prior to the Closing Date, of the following conditions precedent:

- (a) **Representations and Warranties True:** All representations and warranties of the Vendor contained in this Agreement shall be true in all material respects on the Closing Date, and the Purchaser shall have received a certificate from an officer of the Vendor substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (b) **Vendor's Obligations:** The Vendor shall have, in all material respects, timely performed and satisfied all obligations required by this Agreement to be performed and satisfied by the Vendor (and shall have caused the Debtor to perform and satisfy in a timely manner all of its obligations hereunder) on or prior to the Closing Date;
- (c) **Conveyance Documents:** The Vendor shall have executed and delivered to the Purchaser all Conveyance Documents required under Section 12.1(a) and the General Conveyance;
- (d) **Restrictions:** All Vendor Consents, as well as all necessary governmental and other regulatory approvals to the sale of the Assets that are required prior to Closing shall have been obtained without conditions;
- (e) **Condition:** There have been no material adverse physical changes in the Assets between August 17, 2016 and the Closing Date;
- (f) **No Injunction:** There will not be any judicial restraining order or injunction, preliminary or otherwise, in effect prohibiting the Closing or the Transaction;
- (g) **Court Approval:** The Court Approval shall have been obtained and all applicable appeal periods relating thereto, including any extension(s) thereof, shall have elapsed; and
- (h) **AER Waiver:** The AER Waiver shall have been obtained.

The foregoing conditions shall be for the benefit of the Purchaser and may, without prejudice to any of the rights of the Purchaser hereunder (excluding reliance on or enforcement of any representations, warranties or covenants dealing with the subject of or similar to the condition waived), be waived by it by notice to the Vendor in writing, in whole or in part, at any time, provided that the Purchaser is not entitled to waive the Court Approval condition contained in Section 9.2(g), except in relation to the elapsing of all applicable appeal periods relating thereto; including any extension(s) thereof. The Purchaser shall proceed diligently and in good faith and

use all commercially reasonable efforts to fulfill and assist in the fulfillment of the foregoing conditions. In case any of the said conditions shall not be complied with, or waived by the Purchaser at or before the Closing Date, the Purchaser may terminate this Agreement by written notice to the Vendor.

9.3 Parties to Exercise Diligence and Good Faith with respect to Conditions

Each Party covenants to the other that it will proceed diligently, honestly, and in good faith, and use commercially reasonable efforts with respect to all matters within its reasonable control to satisfy its respective conditions in Sections 9.1 and 9.2.

ARTICLE 10 REPRESENTATIONS AND WARRANTIES

10.1 Vendor's Representations and Warranties

The Vendor hereby represents and warrants to the Purchaser that:

- (a) the Receiver has been appointed by the Court as receiver of the assets, properties and undertakings of the Debtor and such appointment is valid and subsists;
- (b) the Receiver, in its capacity as court-appointed receiver of the assets, properties and undertaking of the Debtor and not in its personal capacity, has good right, full power and absolute authority to enter into this Agreement and the other documents and agreements executed and delivered hereunder and to sell, assign, transfer, convey and set over the interest of the Debtor in and to the Assets, subject to the terms and conditions of the Receivership Order and the Court Approval;
- (c) neither the Receiver, the Vendor or the Debtor has incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of the Transaction for which the Purchaser shall have any obligations or liability;
- (d) neither the Receiver, the Vendor or the Debtor have, as at the date hereof, received notice of any Claims in existence, contemplated, pending or threatened against them seeking to prevent the consummation of the Transaction;
- (e) provided the Court Approval is obtained:
 - (i) this Agreement has been and all documents and agreements to be executed and delivered by the Vendor at Closing pursuant to this Agreement shall be, duly executed and delivered by it; and
 - (ii) upon execution by the Purchaser and the Vendor, this Agreement constitutes, and all documents and agreements required to be executed and delivered by the Vendor at Closing will constitute, legal, valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their respective terms, subject to the provisions of the Receivership Order and any other orders of the Court in the Receivership Proceedings, bankruptcy, insolvency, preference, reorganization,

moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences;

- (f) provided the Court Approval is obtained, the Receiver, without making any inquiries, and excluding the AER with respect to approval of the transfer of applicable well licences and Permits, is not aware that any authorization or approval or other action by, and no notice to or filing with, any Government Authority exercising jurisdiction over the Assets is required by them or on their behalf for the due execution and delivery of this Agreement;
- (g) provided the Court Approval is obtained, the Receiver, without making any inquiries, is not aware that consummation of the Transaction will constitute or result in a material violation, breach or default by the Debtor under any provision of any agreement or instrument to which the Debtor is a party or by which the Debtor is bound or any judgment, law, decree, order or ruling applicable to the Debtor; and
- (h) the Debtor is not a non-resident of Canada for the purposes of the Tax Act.

10.2 No Additional Representations and Warranties by the Vendor

- (a) Notwithstanding anything to the contrary in this Agreement, the Vendor makes no representations or warranties except as expressly set forth in Section 10.1 and in particular, and without limiting the generality of the foregoing, the Vendor disclaims and shall not be liable for any representation or warranty express or implied, of any kind, at law or in equity, which may have been made or alleged to be made in any instrument or document relative hereto, or in any statement or information made or communicated to the Purchaser in any manner including any opinion, information, or advice which may have been provided to the Purchaser by the Debtor, the Receiver or their Representatives in connection with the Assets or in relation to the Transaction. For greater certainty, the Vendor makes no representation or warranty, express or implied, of any kind, at law or in equity, with respect to:
 - (i) the accuracy or completeness of the Data Room Information or any other data or information supplied by the Vendor or the Debtor or any of its Representatives in connection with the Assets;
 - (ii) the quality, quantity or recoverability of any Petroleum Substances with or under the Lands;
 - (iii) the value of the Assets or any estimates of prices or future cash flows arising from the sale of any Petroleum Substances produced from or allocated to the Assets or the Lands or any estimates of other revenues or expenses attributable to the Assets;
 - (iv) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (v) the ability of the Purchaser to obtain any necessary approval from any Government Authority in order for the Purchaser to operate the Assets;

- (vi) the quality, condition, fitness, suitability, serviceability or merchantability of any of the Tangibles; or
- (vii) the title of the Debtor to the Assets.

The Purchaser acknowledges and confirms that it is relying on its own investigations concerning the Assets and it has not relied on advice from the Vendor or any of its Representatives with respect to the matters specifically enumerated in the immediately preceding paragraphs in connection with the purchase of the Assets pursuant hereto. The Purchaser further acknowledges and agrees that it is acquiring the Assets on an "as is, where is" and "without recourse" basis. The Purchaser acknowledges and agrees that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, that the Vendor has provided the Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of the Purchaser (insofar as the Vendor could reasonably provide such access) and that the Purchaser is not relying upon any representation or warranty of the Vendor as to the condition, environmental or otherwise, of the Assets, except as expressly contained in Section 10.1 of this Agreement.

- (b) Except for its express rights under this Agreement and as expressly contained in Section 10.1 of this Agreement, the Purchaser hereby waives all rights and remedies (whether now existing or hereinafter arising and including all equitable, common law, tort, contractual and statutory rights and remedies) against the Vendor or Vendor Entities in respect of the Assets or the Transaction or any representations or statements made, direct or indirect, express or implied, or information or data furnished to the Purchaser or its Representatives, in connection herewith (whether made or furnished orally or by electronic, faxed, written or other means).

10.3 Purchaser's Representations and Warranties

The Purchaser hereby represents and warrants to the Vendor that:

- (a) it is and at the Closing Date shall continue to be a valid and subsisting corporation under the laws of its jurisdiction of registration and is authorized to carry out business in the jurisdiction where the Assets are located;
- (b) except for the Court Approval, it has taken all action and has full power and absolute authority to enter into this Agreement and the other documents and agreements executed and delivered hereunder and it has taken all necessary action to consummate the Transaction and to perform its obligations hereunder and the other documents and agreements executed and delivered hereunder;
- (c) it has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of the Transaction for which the Vendor or the Debtor shall have any obligations or liability;
- (d) it has not received notice of any Claims in existence, contemplated, pending or threatened against it seeking to prevent the consummation of the Transaction;

- (e) provided the Court Approval is obtained, this Agreement has been, and all documents and agreements to be executed and delivered by it at Closing pursuant to this Agreement shall be, duly executed and delivered by it, and upon execution by the Vendor and it, this Agreement constitutes, and all documents and agreements required to be executed and delivered by it at Closing will constitute legal, valid and binding obligations of it enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences;
- (f) to its knowledge, and provided that Court Approval is obtained, no authorization or approval or other action by, and no notice to or filing with, any Government Authority exercising jurisdiction over the Assets is required by it or on its behalf for the due execution and delivery of this Agreement;
- (g) provided the Court Approval is obtained, the consummation of the Transaction will not constitute or result in a material violation, breach or default by it under any provision of any agreement or instrument to which it is a party or by which is it bound or any judgment, law, decree, order or ruling applicable to it;
- (h) it is acquiring the Assets in its capacity as a principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party within the next sixty (60) Business Days; and
- (i) the Purchaser is not a non-resident of Canada for the purposes of the *Investment Canada Act* (Canada).

10.4 Enforcement of Representations and Warranties

- (a) Notwithstanding anything to the contrary herein expressed or implied and notwithstanding the Closing or deliveries of covenants and/or representations and warranties in any other agreements at Closing or prior or subsequent thereto, the representations and warranties set forth in Article 10 and all certificates, documents and agreements delivered pursuant to this Agreement shall survive Closing, provided that no Claim in respect of such representations and warranties shall be made or be enforceable unless written notice of such Claim, if provided by the Vendor to the Purchaser, is given within twelve (12) months of the Closing Date, and if provided by the Purchaser to the Vendor, is given within twelve (12) months of the Closing Date or before the Receiver is discharged by order of the Court, whichever occurs earlier. In respect of the Purchaser, effective on the expiry of such twelve (12) month period, the Vendor hereby releases and forever discharges the Purchaser from any breach of any representations and warranties set forth in Article 10 hereof and all certificates, documents and agreements delivered pursuant to this Agreement, except in respect of those Claims in which notice has been given in accordance with this Section 10.4. In respect of the Vendor, effective on the expiry of such twelve (12) month period, or shorter period should the Receiver be discharged by order of the Court, the Purchaser hereby releases and forever discharges the Vendor from any breach of any representations and warranties set forth in Article 10 hereof and all certificates, documents and agreements delivered pursuant to this Agreement, except in respect of those Claims in which notice has been given in

accordance with this Section 10.4. No Claim shall be made against a Party in respect of the representations and warranties in this Agreement made by the other Party except pursuant to and in accordance with this Section 10.4;

- (b) there shall not be any merger of any covenant, representation or warranty in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived; and
- (c) the representations and warranties of the Vendor and the Purchaser made herein or pursuant hereto are made for the exclusive benefit of the Purchaser or the Vendor, as the case may be, and are not transferable and may not be made the subject of any right of subrogation in favour of any other Person.

ARTICLE 11 CLOSING DELIVERIES

11.1 Vendor's Deliveries

At the Closing Date, the Vendor shall table and deliver the following to the Purchaser:

- (a) a certified copy of the Court Approval;
- (b) a receipt for the Closing Payment duly executed by the Vendor;
- (c) a duly executed certificate of a senior officer of the Vendor substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (d) the General Conveyance, fully executed by the Vendor;
- (e) the Conveyance Documents, to the extent delivered by the Purchaser on or by the Closing Date in accordance with Section 12.1(a), fully executed by the Vendor;
- (f) a joint election (CRA form T2010) under section 66.7 of the Tax Act executed by the Vendor; and
- (g) the Seismic Data License Assignment duly executed by the Vendor.

11.2 Purchaser's Deliveries

At the Closing Date, the Purchaser shall table and deliver the following to the Vendor:

- (a) a duly executed certificate of a senior officer of the Purchaser substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (b) the General Conveyance, fully executed by Purchaser;
- (c) the Conveyance Documents, to the extent prepared on or by the Closing Date in accordance with Section 12.1(a), fully executed by the Purchaser;
- (d) the Indemnity Agreement, fully executed by the Purchaser;

- (e) a joint election (CRA for T2010) under section 66.7 of the Tax Act; and
- (f) the Seismic Data License Assignment duly executed by the Purchaser.

11.3 Deliveries

Vendor shall deliver or cause to be delivered to Purchaser within a reasonable period of time, but in any event, no later than ten (10) days following Closing, the original copies of the Title and Operating Documents and any other agreements and documents in its possession related to the Assets and the original copies of contracts, agreements, records, books, documents, licenses, reports and data included in the Miscellaneous Interests which are now in the possession of Vendor. Notwithstanding the foregoing, if and to the extent such contracts, agreements, records, books, documents, licenses, reports and data also pertain to a greater degree to interests other than the Assets, at Vendor's expense, photocopies or other copies may be provided to Purchaser in lieu of original copies.

ARTICLE 12 CONVEYANCES AND TRANSFER

12.1 Conveyances

- (a) The Purchaser shall provide at the Closing Date all Conveyance Documents required to acquire the Debtor's interest in any Assets purchased herein, but no such documents shall require the Vendor to assume or incur any obligation, or to provide any representation or warranty, beyond that contained in this Agreement. The Conveyance Documents shall not be required to be signed by Third Parties at or before the Closing Date but the Parties shall cooperate as reasonably required to secure execution of such documents by such Third Parties as soon as practicable thereafter. The Vendor shall execute and promptly return to the Purchaser at least one (1) copy of each such document and the Purchaser shall use all reasonable efforts to obtain timely execution and return of such documents by Third Parties wherever required. The Parties agree that certain assignments may be in the form of electronic transfers including AER well license transfers and agree that reasonable efforts shall be made to ensure such assignments will be completed on the Closing Date.
- (b) The Purchaser shall promptly register in the applicable registry all registrable transfers and conveyances of its interests in the Assets and the Vendor shall make application to all applicable Government Authorities to change the recorded name of all Wells and Tangibles forming part of the Assets.

12.2 License and Authorization Transfers.

- (a) Within one (1) Business Day of the Closing Date, the Vendor shall prepare and submit an application to the AER for all license transfers with the AER, including the transfer of any Wells and any Tangibles held in the name of the Debtor and the Purchaser shall promptly electronically ratify and sign such application if the information in such application is accurate.
- (b) The Purchaser shall be responsible for satisfying the requirements of the AER in order for the AER to provide the AER Approval. The Purchaser shall

communicate with the AER to the extent necessary to determine all conditions which the AER will require in order for the AER to provide the AER Approval and shall advise the Vendor in writing of any such conditions.

- (c) Should the AER deny any such transfer because of a misdescription or other minor deficiencies in the application, Vendor shall within two (2) Business Days correct the application for the transfer and Purchaser shall electronically ratify and sign such application.
- (d) Upon receipt of the AER Approval, the Vendor shall communicate with the AER and make the necessary applications as may be required to obtain a return of the Existing AER Deposit and upon receipt of the Existing AER Deposit the Vendor shall comply with Section 3.1(b).

ARTICLE 13 LIABILITIES AND INDEMNITIES

13.1 General Indemnity

If Closing occurs the Purchaser shall, without any further necessary action on the part of the Vendor or the Purchaser:

- (a) assume, perform, pay, discharge and be liable to the Vendor for; and
- (b) as a separate covenant, save and hold harmless and indemnify the Vendor and each other Vendor Entities from and against;

all Losses and Liabilities suffered, sustained, paid or incurred by any of them to the extent:

- (c) arising or accruing on or after the Effective Time and which relate to the Assets or the terms and conditions of the Title and Operating Documents, including but not limited to all Losses and Liabilities attributable to the operation, ownership, use, construction or maintenance of the Assets arising or accruing on or after the Effective Time; or
- (d) pertaining to the Assumed Obligations.

The Purchaser's indemnity obligation set forth in this Section 13.1, other than as it pertains to the Assumed Obligations, shall survive the Closing Date for a period of twenty four (24) months and the Purchaser's indemnity obligation set forth in this Section 13.1 as it relates to the Assumed Obligations shall survive the Closing Date indefinitely. Notwithstanding the foregoing, nothing in this Section 13.1 shall be construed so as to require Purchaser to be liable for or to indemnify Vendor in connection with any such Losses and Liabilities pursuant to this Section 13.1 to the extent arising from the gross negligence or wilful misconduct of Vendor.

13.2 Environmental Indemnity

- (a) The Purchaser acknowledges that it:
 - (i) is familiar with the condition of the Assets, including the past and present use of the Assets, and it has been provided with the right and the

opportunity to conduct due diligence investigations with respect to existing or potential Environmental Liabilities pertaining to the Assets; and

- (ii) is not relying upon any representation or warranty of the Vendor as to the condition, environmental or otherwise, of the Assets except as outlined in Section 10.1.
- (b) The Purchaser agrees that once Closing has occurred the Vendor shall have no liability whatsoever for any Environmental Liabilities. In this regard, once Closing has occurred, the Purchaser shall, without any further necessary action on the part of the Vendor or the Purchaser:
- (i) be solely liable and responsible for all of the Vendor's Losses and Liabilities; and
 - (ii) as a separate covenant, indemnify, save and hold the Vendor, the Debtor and each other Vendor Entities, harmless from and against all Losses and Liabilities that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a result of any act, omission, matter or thing related to any Environmental Liabilities arising, however and whenever arising or occurring, and the Purchaser shall assume, perform, pay and discharge all Environmental Liabilities. This liability and indemnity shall apply without limit and without regard to cause or causes, including the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of the Vendor or the Purchaser or any other Person or otherwise. The Purchaser acknowledges and agrees that it shall not be entitled to any rights or remedies as against the Vendor, Debtor or any Vendor Entities under the common law or statute pertaining to any Environmental Liabilities, including the right to name the Vendor, Debtor or any Vendor Entities as a 'third party' to any action commenced by any Person against the Purchaser. The Purchaser's indemnity obligation set forth in this Section 13.2(b) shall survive the Closing Date indefinitely.

13.3 No Merger

There shall not be any merger of any liability or indemnity hereunder in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

13.4 Holding of Indemnities

The Vendor will hold the indemnities contained in Sections 13.1 and 13.2 in trust on behalf of all of the other Vendor Entities and may enforce the same on their behalf.

ARTICLE 14 TERMINATION

14.1 Grounds for Termination

This Agreement may be terminated at any time prior to Closing;

- (a) by mutual written agreement of the Vendor and the Purchaser; or
- (b) by either the Vendor or the Purchaser pursuant to the provisions of Articles 9.1 or 9.2, as applicable.

14.2 Effect of Termination

If this Agreement is terminated by the Vendor or the Purchaser as permitted under Section 14.1, then Article 15, Article 16 and Section 20.2 shall remain in full force and effect following any such permitted termination.

ARTICLE 15 CONFIDENTIALITY, PUBLIC ANNOUNCEMENTS AND SIGNS

15.1 Confidentiality

Each Party agrees to keep in strict confidence:

- (a) subject to Section 15.2, all information regarding the terms of this Agreement; and
- (b) any information exchanged or received in connection with:
 - (i) the performance of due diligence by the Purchaser prior to or after the date hereof (including due diligence conducted under or in connection with this Agreement); or
 - (ii) negotiation or drafting of this Agreement;

provided that, except as otherwise agreed by the Parties, a Party shall be entitled to disclose all information as may be required or desirable in connection with obtaining the Court Approval. The Parties agree that this Agreement shall be filed with the Court on a confidential basis such that the consideration, assumption of liabilities and such other sensitive terms as the Parties may agree shall be sealed, kept confidential and not form part of the public record, and that the Receiver shall seek a sealing order to that effect in respect of this Agreement. If this Agreement is terminated, each Party upon request will promptly return to the other Party all documents, contracts, records or other information received by it that disclose or embody confidential information of the other Party.

15.2 Public Announcements

- (a) If a Party intends to issue a press release or other public disclosure of this Agreement, the terms hereof or the Transaction post-Closing, the disclosing Party shall provide the other Party with an advance copy of any such press release or other public disclosure with sufficient time to enable the other Party to review such press release or other public disclosure and provide its written consent to such press release or other public disclosure, not to be unreasonably withheld.

- (b) Notwithstanding Section 15.1 or 15.2(a), a Party may release or provide information about the Transaction insofar as is required by Applicable Laws (including as may be required to obtain Court Approval) or stock exchange requirements applicable to the disclosing Party; provided that such disclosing Party shall make reasonable commercial efforts to provide the other Party with the details of the nature and substance of such required disclosure as soon as practicable and in any event prior to such disclosure. A Party may provide information about the Transaction to a bank or other financial institution to obtain financing on any required consent of the bank or other financial lender of such Party. A Party may also disclose such information pertaining to this Agreement, including the identity of the Parties, insofar as is required to enable such Party to fulfil its obligations under this Agreement, including obtaining any approvals or consents to the Transaction required from Governmental Authorities (including Court Approval) or Third Parties.

15.3 Signs

Within sixty (60) days following the Closing Date, the Purchaser shall remove the names of the Vendor, the Debtor and predecessors from all signs located at or near the Wells or any Tangibles. If the Purchaser fails to comply with the foregoing, the Vendor shall have the right, at its discretion, to remove its name as aforesaid and the Purchaser shall be responsible for and shall reimburse such Vendor for all reasonable costs incurred by such Vendor in so doing.

ARTICLE 16 GOVERNING LAW AND DISPUTE RESOLUTION

16.1 Governing Law

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta and to the laws of Canada applicable therein.

16.2 Resolution of Disputes

- (a) Each Party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Court, and waives any defences it might have regarding jurisdiction in any action or proceeding arising out of or relating to this Agreement or any ancillary agreement to which it is a Party, or for recognition or enforcement of any judgment in respect thereof, and each Party hereto hereby irrevocably and unconditionally agrees that all Claims in respect of any such action or proceeding may be heard and determined by the Court.
- (b) Each Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any ancillary agreement to which it is a Party in any court of competent jurisdiction in the Province of Alberta. Each of the Parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defence of an inconvenient forum to the maintenance of such action or proceeding in any such court.

**ARTICLE 17
NOTICES**

17.1 Service of Notices

The addresses for service of the Parties shall be as follows:

the Purchaser: SEQUOIA RESOURCES CORP.

2900, 605 - 5th Ave. SW
Calgary, Alberta T2P 3H5

Attention: Chief Executive Officer
Email: yang@kailas-capital.com

with a copy to

Jim Pasieka
Legal counsel to the Purchaser
McCarthy Tetrault LLP
#4000, 421 - 7th Avenue SW
Calgary, AB T2P 4K9

Email: jpasieka@mccarthy.ca
Fax: 403-260-3603

the Vendor: FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal capacity.

Suite 720, 440 - 2nd Avenue SW
Calgary, Alberta T2P 5E9

Attention: Deryck Helkaa/Brett Wilson
Email: Deryck.Helkaa@fticonsulting.com /
Brett.Wilson@fticonsulting.com
Fax: 403- 444-6758

with a copy to: Ryan Zahara
Legal counsel to the Receiver
Blake, Cassels & Graydon LLP
#3500, 855 – 2nd Street SW
Calgary, AB T2P 4J8

Email: ryan.zahara@blakes.com
Fax: 403-260-9700

Any of the Parties may from time to time change its address for service herein by giving written notice to the other. Any notice may be served by personal service upon the above person specified by a Party, or if no person is specified, upon any officer of a Party, by mailing the same by prepaid post in a properly addressed envelope addressed to the Party at its respective address for service hereunder, or by email to such Party at the email address specified hereunder. Any notice personally served upon an office or the person specified by a Party, as the case may be, shall be deemed to be given on the date of such service, any notice served by mail shall be deemed to be given to and received by the addressee on the fourth (4th) Business Day, after the mailing thereof and any notice given by email shall be deemed to be given and received on the day when it is sent, if it is sent during normal business hours (8:00 a.m. to 4:00 p.m.) and, otherwise, on the next following normal Business Day. No notices shall be served by mail during times of interruption or threat of interruption of mail service due to strikes, lockout or other causes.

ARTICLE 18 PERSONAL INFORMATION

18.1 Personal Information

The Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to the Purchaser or otherwise obtained by the Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates or as otherwise permitted or authorized by Applicable Law. The Purchaser's obligations set forth in this Section 18.1 shall survive the Closing Date indefinitely.

ARTICLE 19 ASSIGNMENT

19.1 Assignment

- (a) Neither Party may assign their interest in or under this Agreement or to the Assets prior to Closing without the prior written consent of the other Party, which consent may be withheld in such other Party's sole and unfettered discretion.
- (b) No assignment, transfer, or other disposition of this Agreement or the Assets or any portion of the Assets shall relieve the Purchaser from its obligations to the Vendor herein. The Vendor shall have the option to claim performance or payment of the obligations from the Purchaser or the assignee or transferee, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle the Vendor to receive duplicate performance or payment of the same obligation.

**ARTICLE 20
MISCELLANEOUS**

20.1 Remedies Cumulative

No failure on the part of any Party to exercise any right or remedy will operate as a waiver thereof. A Party will not be precluded from exercising any right available to it at law, equity or by statute because of its exercise of any single or partial right, and a Party may exercise any such remedies independently or in combination.

20.2 Costs

Except as otherwise specified in this Agreement, each Party shall pay its respective costs incurred in connection with the preparation, negotiation and execution of this Agreement and the consummation of the Transaction.

20.3 No Waiver

No waiver by any Party of any breach of any of the terms, conditions, representations or warranties in this Agreement shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

20.4 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and the Parties agree and confirm that this Agreement cancels and supersedes any prior understandings and agreements between the Parties hereto with respect to the subject matter hereof, but expressly excluding the Confidentiality Agreement entered into between a related party of the Purchaser and the Vendor in respect of the Assets. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties.

20.5 Further Assurances

From time to time, as and when reasonably requested by the other Party, a Party shall execute and deliver or cause to be executed and delivered all such documents and instruments and shall take or cause to be taken all such further or other actions to implement or give effect to the Transaction, provided such documents, instruments or actions are consistent with the provisions of this Agreement. All such further documents, instruments or actions shall be delivered or taken at no additional consideration other than reimbursement of any expenses reasonably incurred by the Party providing such further documents or instruments or performing such further acts, by the Party at whose request such documents or instruments were delivered or acts performed.

20.6 Time of the Essence

Time shall be of the essence in this Agreement.

20.7 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective heirs, executors, successors and permitted assigns.

20.8 Severability

In the case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

20.9 Counterpart Execution

This Agreement may be executed in counterpart and all executed counterparts together shall constitute one agreement. This Agreement shall not be binding upon any Party unless and until executed by all Parties.

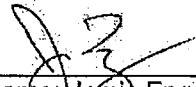
20.10 Electronic Execution

Delivery of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by any Party.

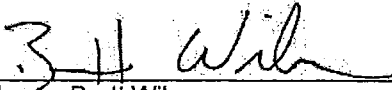
[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

WALDRON ENERGY CORPORATION by **SEQUOIA RESOURCES CORP.**
and through its court-appointed receiver
FTI CONSULTING CANADA INC., in its
capacity as court-appointed receiver of the
assets, properties and undertaking of
Waldron Energy Corporation, and not in its
personal capacity

Per: 
Name: Jamie Engen
Title: Managing Director

Per: _____
Name:
Title:

Per: 
Name: Brett Wilson
Title: Senior Consultant

*This is the execution page to the Asset Purchase Agreement dated effective October 18, 2016
between Waldron Energy Corporation, by and through its court-appointed receiver
FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties
and undertakings of Waldron Energy Corporation, and not in its personal capacity, and Sequoia
Resources Corp.*

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

WALDRON ENERGY CORPORATION by and through its court-appointed receiver FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of the assets, properties and undertaking of Waldron Energy Corporation, and not in its personal capacity

SEQUOIA RESOURCES CORP.

Per: _____

Name:
Title:

Per:  _____

Name: Wentao Yang
Title: President

Per: _____

Name:
Title:

This is the execution page to the Asset Purchase Agreement dated effective October 18, 2016 between Waldron Energy Corporation, by and through its court-appointed receiver FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal capacity, and Sequoia Resources Corp.