

CONSULTING SERVICES CONTRACT

THIS AGREEMENT made as of the 1st day of December, 2011

BETWEEN

David Finn, an individual residing in the City of Delta in the Province of British Columbia

(the "**Consultant**")

AND:

Pennant Energy Inc., a corporation incorporated under the laws of British Columbia and having an office at 1818–701 West Georgia Street, PO Box 10144, Vancouver, BC V7Y 1C6

(the "**Company**")

WHEREAS:

- A. The Consultant is in the business of providing engineering consulting services;
- B. The Consultant has experience and expertise in the above business, has been providing consulting services to the Company, and wishes to formalize the terms of the consulting relationship; and
- C. The Company wishes to retain the services of the Consultant on the terms provided in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and of the mutual covenants and agreements herein set forth and for other good and valuable consideration, the sufficiency and receipt of which is acknowledged by all the parties hereto, the parties hereto covenant and agree as follows:

PART 1: INTERPRETATION

1.1 Definitions – In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

"Board" means a board of directors of the Company;

"Business" means the principal business of the Company;

"Business Day" means a day other than a Saturday, Sunday or a statutory holiday in British Columbia;

"Change of Control" means with respect to the Company, any event, including an amalgamation, merger or consolidation that causes:

- (i) a third party to own or control, directly or indirectly, 50% or more of the voting shares of the Company;
- (ii) a third party to own or control, directly or indirectly, sufficient voting shares in the Company to elect a majority of the directors of the Company; or
- (iii) an assignment, sale or transfer by the Company of all or substantially all of the Company's business to a third party or to an affiliate or a wholly owned subsidiary; or
- (iv) an assignment, sale, or transfer by the Company of all or substantially all of the Company's assets to a third party or to an affiliate or a wholly owned subsidiary.

"Date of Termination" means the day that one party gives notice of termination of this Agreement to the other, or the day on which the Consultant dies, as applicable;

"Consulting Services" means the services described in section 2.5 hereof; and

"Effective Date" means the date set out on the top of Page 1.

1.2 **Proper Law of Agreement** – This Agreement is governed by and construed in accordance with the laws of the province of British Columbia, without regard to its conflict of laws rules.

PART 2: APPOINTMENT AND DUTIES OF CONSULTANT

2.1 **Appointment of Consultant** – The Company hereby appoints the Consultant to perform the Consulting Services and the Consultant hereby accepts such appointment (the **"Appointment"**) on the terms and conditions hereinafter set out.

2.2 **Term of Appointment** – The Consultant will provide the Consulting Services to the Company for a period commencing on the Effective Date and continuing without a term until terminated by either party under Part 5 (the **"Term"**).

2.3 **Assignment** – This agreement shall not be assignable by the Consultant, nor shall the Consultant be entitled to subcontract the performance of any of the Consulting Services.

2.4 **Non-Exclusive Appointment** – The Company acknowledges and agrees that the Consultant has now and will continue to have consulting relationships with third parties and that the Consultant will devote a portion of its time in furtherance of those consulting relationships; provided, however, the Consultant agrees that such interests do not conflict with, in any manner whatsoever, the duties and the time required to fulfill the duties of the Consultant required pursuant to this Agreement and further provided that such third parties are not exploring in the same Geographical Region, where Geographical Region means the township or the townships in which the Company operates.

2.5 **Consulting Services** – The Consulting Services to be provided by the Consultant to the Company will consist of the duties and responsibilities more particularly described in Schedule "A" and any other activities deemed appropriate by the Company. The Consultant shall:

- (a) exercise the degree of care, diligence and skill that a reasonably prudent Consultant would exercise in comparable circumstances;
- (b) act honestly and in good faith in what the Consultant reasonably believes to be the best interests of the Company; and
- (c) generally use its efforts to promote the business and interests of the Company.

PART 3: CONSULTING FEES AND EXPENSES

3.1 **Consulting Fees** – The Company shall pay to the Consultant the rate of \$125.00 per hour for the actual hours of service provided by the Consultant during the Term, unless otherwise agreed in writing by the parties (the "**Fee**").

3.2 **Invoicing Frequency** – The Consultant shall invoice the Company no more frequently than monthly for the unbilled Consulting Services performed to the date of said invoice and not compensated for. The Company shall pay each such invoice within 15 days of issuance.

3.4 **Expenses – Expenses** – The parties acknowledge and agree that the Company will reimburse the Consultant for reasonable business expenses incurred by the Consultant in the performance of the Consulting Services.

3.5 **Taxes** – The Consultant shall be responsible for all taxes or other source deductions, and all liabilities, expenses and assessments in any way arising out of or relating to the Consultant's receipt of compensation or the performance of Consulting Services under this Agreement, including with limitation, the collection, deduction and remittance of any amounts owing to any taxing authority having jurisdiction over the Consultant, whether in Canada (including Canada Pension Plan contributions, Employment Insurance premiums, federal and provincial, income taxes, provincial health tax, provincial payroll tax, and premiums in respect of worker's compensation insurance) or otherwise (collectively "**Taxes and Deductions**").

The Company will not make any deductions or allowance for any Taxes and Deductions. The Consultant shall collect, deduct, pay or remit all Taxes and Deductions to the appropriate payee or taxing authority having jurisdiction over the Consultant when due, and upon request, will provide proof of the same to the Company.

If the Company should ever be required by any governmental authority, at any time, to pay on the Consultant's behalf any Taxes and Deductions, or similar payments, the Consultant will forthwith upon notice, reimburse the Company for such payment, together with interest and any penalties applicable to such assessments. The Consultant agrees further that it shall indemnify and hold the Company, any of its affiliates and their respective directors, officers, employees, and agents, harmless from any costs expenses, damages or liabilities suffered or incurred by the Company as a result of a breach by the Consultant of the provisions of this Section. The Consultant's obligations under this Section will survive the termination of this Agreement and remain in effect thereafter.

PART 4: RELATIONSHIP OF THE PARTIES

4.1 **Agency** – In performing the Consulting Services, subject to any internal authorization limitations of the Company, the Consultant will, to that extent, be the authorized agent of the Company, subject always to the ultimate authority of the Board to control and direct the Company's affairs and nothing in this Agreement will be construed to create between the Consultant and the Company:

- (a) a relationship of principal and agent exceeding in scope that which is necessary to give effect to the spirit and intent of this Agreement; or
- (b) a relationship as employees, joint ventures, partners or members of a joint enterprise;

it being the intent of this Agreement that the Consultant is otherwise engaged by the Company as an independent contractor.

4.2 **Indemnity of Consultant** – The Company will indemnify and save harmless the Consultant from and against any action, cause of action, suit, debt, cost, expense, claim or demand whatsoever at law or in equity resulting from the performance by the Consultant of the Consulting Services provided that:

- (a) the act or omission with respect to which the Consultant seeks indemnity was performed in accordance with the terms of this Agreement; and
- (b) the foregoing indemnity will not extend to any negligence or wrongful act, omission or neglect of the Consultant or any act or omission of the Consultant outside the provisions of the Agreement or beyond the scope of the Consultant's authority hereunder.

4.3 **Indemnity of Company** – The Consultant will indemnify and save harmless the Company against all actions, suits, damages, losses or liabilities arising in whole or in part out of or in connection with the grossly negligent or unlawful performance of the Consulting Services hereunder.

PART 5: TERMINATION

5.1 **Termination** – The Company may terminate this Agreement at any time by giving the Consultant written notice of such termination. In the event of termination of this Agreement by the Company for any reason other than a termination under Section 5.2, the parties agree that:

- (a) the Company shall in the event of such termination pay the Consultant \$30,000.00 (the "**Termination Payment**"), within 15 business days of the Date of Termination;
- (b) the Consultant is exempt from any duty to mitigate his damages; and
- (c) the Consultant is not entitled to any compensation other than the foregoing.

5.2 Termination for Default – Either party may terminate this Agreement upon the happening of any one of the following events:

- (a) the bankruptcy, insolvency, winding-up or dissolution of the Consultant or the Company, in which event this agreement shall terminate immediately upon delivery of a notice to terminate to the party which is bankrupt, insolvent, winding-up or dissolving, as the case may be, by the other party.
- (b) a breach of this Agreement by a party that continues for more than 10 days after written notice of such breach is given by the other party, in which event this Agreement shall terminate immediately upon the delivery of a notice to terminate to the defaulting party by the other party.

5.3 Termination for Change of Control – The Consultant may terminate this Agreement in the 60 day period following a Change of Control, by giving the Company 30 days written notice of his intent to do so, in which case:

- (a) the Consultant shall provide the Company with an executed standard form of Release;
- (b) the Company shall pay to pay the Consultant the Termination Payment, within 30 business days of the Date of Termination; and
- (c) the Consultant is not entitled to any compensation other than the foregoing.

5.4 Termination by Consultant – The Consultant may terminate this Agreement at any time by giving the Company 30 days' written notice, in which case, at its sole election, the Company may decline such notice and relieve the Consultant of any further responsibilities and in which case, the Consultant will be entitled to all earnings up to and including the last day actually worked and no other compensation, payable within 15 days of the Date of Termination.

PART 6: CONFIDENTIALITY AND RESTRICTIVE COVENANTS

6.1 Confidential Information – In this Agreement, “Confidential Information” means all business information gained by the Consultant with respect to the Business and such other information which the Consultant and the Consultant's employees acquire, directly or indirectly, in the performance of the Consulting Services relating to the Business, or the business and affairs of Company or any of its clients, without limitation, all corporate, legal and technical information.

6.2 Non-Disclosure – The Consultant covenants and agrees with the Company that it will not, either during the term of this Agreement or at any time thereafter, disclose or reveal in any manner whatsoever to any other person, firm, or corporation, nor will it use, directly or indirectly, for any purpose other than the purposes of the Company, the private affairs of the Company or any Confidential Information which it may acquire during the term of this Agreement, unless the Consultant shall be specifically ordered to do so by a court of competent jurisdiction.

6.3 Obligations of Termination – Upon termination of the Consultant's Appointment, the Consultant shall deliver to the Company all confidential documents, papers, plans, materials and property of or relating to the business and affairs of the Company which may then be in its possession or under their control.

6.4 **Corporate Property** – The Consultant agrees that all reports, summaries and other documents compiled and prepared by the Consultant in the performance of the Consulting Services shall be the Company's sole property, and the Consultant shall deliver originals thereof to the Company as required, and, in any event, immediately following completion or termination of the Consulting Services.

PART 7: GENERAL PROVISIONS

7.1 **Amendments and Waivers** – No Amendment, waiver or early termination of this Agreement is binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement is deemed or will constitute a waiver of any other provision nor will any such waiver constitute a continuing waiver unless otherwise expressly provided.

7.2 **Entire Agreement** – Agreement constitutes the entire agreement between the parties and supercedes all previous agreements and understandings between the parties in any way relating to the subject matter hereof.

7.3 **Third Party Beneficiaries** – Each party intends that this Agreement shall not benefit or create any right or cause of action in, or on behalf of, any person, other than the parties, and no person, other than the parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

7.4 **Counterparts** – This Agreement may be executed in counterparts, which together shall be deemed to constitute one agreement.

7.5 **Independent Legal Advice** – Each party to this Agreement acknowledges having been provided an opportunity to obtain independent legal advice with respect to it, and either has done so, or voluntarily elected not to do so.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

Signed: *"David Finn"*)
)
)
_____)
David Finn)

Pennant Energy Ltd. by its authorized)
signatory:)
)
Signed: *"Thomas Yingling"*)
_____)
Authorized Signatory)

SCHEDULE "A"

Consulting Services

The duties and responsibilities of the Consultant will consist of:

1. Addressing and attending to all internal engineering issues;
2. Liaising with reservoir engineers;
3. Consulting with other external engineers;
4. Generally supervising day-to-day business issues; and
5. Reviewing the economics of new projects.