

**ARRANGEMENT AGREEMENT**

**between**

**PINE CLIFF ENERGY LTD.**

**and**

**GEOMARK EXPLORATION LTD.**

**September 6, 2012**

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## ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is dated as of the 6<sup>th</sup> day of September, 2012,

BETWEEN:

**PINE CLIFF ENERGY LTD.**, a corporation incorporated under the laws of the Province of Alberta (“**Pine Cliff**”)

- and -

**GEOMARK EXPLORATION LTD.**, a corporation incorporated under the laws of the Province of Alberta (“**Geomark**”)

**WHEREAS** Pine Cliff and Geomark wish to propose an arrangement involving Geomark and its shareholders whereby Pine Cliff and Geomark will combine their operations by way of Pine Cliff acquiring all of the issued and outstanding common shares in the capital of Geomark;

**AND WHEREAS** Pine Cliff and Geomark intend to carry out the transactions contemplated by this Agreement by way of an arrangement under the provisions of the *Business Corporations Act* (Alberta);

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties do hereby covenant and agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, including the recitals hereto, unless there is something in the context or subject matter inconsistent therewith, the following defined terms have the meanings hereinafter set forth:

- (a) “**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) “**Acquisition Proposal**” means any inquiry or the making of any proposal or offer (written or oral) from any person or group of persons “acting jointly or in concert” (within the meaning of MI 62-104) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (i) an acquisition from Geomark or Pine Cliff or their respective securityholders, of any securities of Geomark or Pine Cliff, respectively, including any rights or interests therein or thereto (other than on exercise of currently outstanding Geomark Options or Pine Cliff Options, as applicable) that when taken together with securities of Geomark or Pine Cliff, respectively, beneficially owned by the proposed acquiror would constitute more than 20% of the voting securities of Geomark or Pine Cliff, respectively; (ii) any purchase or sale of Geomark or any of its Subsidiaries or Pine Cliff, or any sale of the assets of Geomark or any of its Subsidiaries, or Pine Cliff where such assets represent more than 20% of the fair market value of the consolidated assets of Geomark and its Subsidiaries or Pine Cliff, respectively or contribute more than 20% of the revenues of Geomark or Pine Cliff, respectively (on a consolidated basis) (or other arrangement having the same economic effect as a purchase or sale of assets); (iii) an amalgamation, arrangement, merger, consolidation, joint venture, share exchange, distribution,

partnership or other business combination involving Geomark or Pine Cliff, respectively; (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Geomark or Pine Cliff, respectively; or (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to the other Party under this Agreement or the Arrangement, except that for the purpose of the definition of “Superior Proposal”, the references in this definition of “Acquisition Proposal” to “more than 20% of the existing securities” shall be deemed to be references to “more than 50% of the existing securities” and the references to “more than 20% of the fair market value of the consolidated assets of Geomark and its Subsidiaries or Pine Cliff, respectively, or contribute more than 20% of the revenues of Geomark or Pine Cliff, respectively (on a consolidated basis)” shall be deemed to be a reference to “all or substantially all of the assets”;

- (c) **“Agreement”, “herein”, “hereof”, “hereto”, “hereunder”** and similar expressions mean and refer to this Arrangement Agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (d) **“AltaCorp”** means AltaCorp Capital Inc.;
- (e) **“Applicable Laws”** means all applicable laws, statutes, regulations, by-laws, statutory rules, orders, ordinances, protocols, codes, policies, guidelines, notices, directions (including without limitation, Environmental Laws, Canadian Securities Laws and U.S. Securities Laws) and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Authority, statutory body or self-regulatory authority (including the TSXV) that apply to the applicable Party or its business, undertaking, property or securities;
- (f) **“Arrangement”** means the arrangement involving Pine Cliff, Geomark and the Geomark Shareholders pursuant to section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto in accordance with section 7.1 of this Agreement or section 7.1 of the Plan of Arrangement, or made at the direction of the Court in the Final Order with the consent of Pine Cliff and Geomark, each acting reasonably;
- (g) **“Arrangement Resolution”** means the special resolution in respect of the Arrangement to be considered by the Geomark Shareholders at the Geomark Meeting in accordance with section 2.2(a)(iv);
- (h) **“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement which shall be in a form and content satisfactory to Pine Cliff and Geomark, each acting reasonably;
- (i) **“Business Day”** means with respect to any action to be taken, any day, other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta are not generally open for business;
- (j) **“Canadian Securities Laws”** means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;

- (k) “**Circular**” means the joint management proxy circular to be sent by Geomark to the Geomark Shareholders in connection with the Geomark Meeting and to be sent by Pine Cliff to the Pine Cliff Shareholders in connection with the Pine Cliff Meeting;
- (l) “**Confidentiality Agreement**” means the confidentiality, exclusivity and standstill agreement between Geomark and Pine Cliff dated August 20, 2012;
- (m) “**Court**” means the Court of Queen’s Bench of Alberta;
- (n) “**Depository**” means Olympia Trust Company or such other person that may be appointed by and at the expense of Pine Cliff for the purpose of receiving deposits of certificates formerly representing Geomark Shares;
- (o) “**Dissent Rights**” means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement;
- (p) “**Effective Date**” means the date on which the Articles of Arrangement and Plan of Arrangement are filed with the Registrar and the Arrangement becomes effective under the ABCA;
- (q) “**Effective Time**” means 12:01 a.m. on the Effective Date;
- (r) “**Encumbrance**” includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust, royalty or carried, participation, net profits or other third party interest and any agreement, option, right of first refusal, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (s) “**Environmental Laws**” means, with respect to any person or its business, activities, property, assets or undertaking, all federal, provincial, municipal or local laws of any Governmental Authority or of any court, tribunal or other similar body, relating to environmental or health matters in the jurisdictions applicable to such person or its business, activities, property, assets or undertaking, including legislation governing the use and storage of Hazardous Substances;
- (t) “**Final Order**” means the order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA in respect of Geomark, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (u) “**GAAP**” has the meaning ascribed thereto in section 1.8;
- (v) “**Geomark Board**” means the board of directors of Geomark;
- (w) “**Geomark Damages Event**” has the meaning ascribed thereto in section 6.1;
- (x) “**Geomark Disclosure Letter**” means the letter of Geomark addressed to Pine Cliff dated the date of this Agreement providing disclosure of certain information;
- (y) “**Geomark Financial Statements**” means, collectively, the audited financial statements of Geomark for the years ended December 31, 2011 and 2010, together with the notes thereto and the report of the auditors thereon and the interim unaudited financial statements of Geomark for the three and six months ended June 30, 2012;

- (z) **“Geomark Information”** means the information describing Geomark and its business, operations and affairs and otherwise relating to the Geomark Meeting specifically provided by Geomark for inclusion or incorporation by reference in the Circular;
- (aa) **“Geomark Meeting”** means the special meeting of Geomark Shareholders to consider the Arrangement Resolution and related matters, and any adjournment(s) thereof;
- (bb) **“Geomark Option Plan”** means the amended stock option plan of Geomark dated March 22, 2012;
- (cc) **“Geomark Options”** means the outstanding stock options of Geomark, whether or not vested, entitling the holders thereof to acquire Geomark Shares;
- (dd) **“Geomark Public Record”** means all information filed by or on behalf of Geomark after December 31, 2011 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws;
- (ee) **“Geomark Reserves Report”** means the independent reserves evaluations of Geomark’s oil, natural gas liquids and natural gas interests prepared by Sproule effective December 31, 2011 and dated February 3, 2012;
- (ff) **“Geomark Shareholders”** means the holders from time to time of Geomark Shares;
- (gg) **“Geomark Shares”** means common shares in the share capital of Geomark;
- (hh) **“Geomark Support Agreements”** means the agreements, in substantially the form set out in Schedule “B” hereto, between Pine Cliff and certain Geomark Shareholders, pursuant to which each such Geomark Shareholder has agreed to vote the Geomark Shares beneficially owned or controlled or subsequently acquired by each such Geomark Shareholder in favour of the Arrangement Resolution and to otherwise support the Arrangement;
- (ii) **“Geomark USA”** means Geomark Minerals USA Inc., a wholly-owned Subsidiary of Geomark incorporated under the laws of Delaware, United States;
- (jj) **“Government Charges”** means all federal, provincial, municipal, foreign or other Taxes, imposts, rates, levies, assessments and government fees, and any other charges lawfully levied, assessed or imposed against a Party, or in respect of a Party’s business, including, without limitation, all Taxes and other government charges of any kind whatsoever, and assessments and includes additions to Taxes, interest, fines and penalties with respect thereto;
- (kk) **“Governmental Authority”** means any: (i) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of the foregoing;
- (ll) **“Hazardous Substances”** means any waste or other substance that is prohibited, listed, defined, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor;

- (mm) “**Interim Order**” means the interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA in respect of Geomark in a form acceptable to Pine Cliff and Geomark, each acting reasonably, containing declarations and directions with respect to the Arrangement and the holding of the Geomark Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (nn) “**Issuance Resolution**” means the ordinary resolution of the Pine Cliff Shareholders approving the issuance of Pine Cliff Shares pursuant to the Arrangement;
- (oo) “**Mailing Date**” means the date on which the Circular is mailed to the Geomark Shareholders in connection with the Geomark Meeting and the Pine Cliff Shareholders in connection with the Pine Cliff Meeting;
- (pp) “**material adverse change**” or “**material adverse effect**” means, with respect to a Party, any matter or action that has an effect or change that: (a) individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, prospects, assets, properties, capitalization, condition (financial or otherwise), liabilities, obligations (absolute, accrued, contingent or otherwise), cash flows, or prospects of such Party and its Subsidiaries, taken as a whole, other than any matter, action, effect or change relating to or resulting from: (i) general economic, financial, currency exchange, securities or commodity prices in Canada or elsewhere; (ii) conditions affecting the oil and natural gas exploration, exploitation, development and production industry as a whole, and not specifically relating to the Party and/or its Subsidiaries, including changes in laws (including tax laws) and royalties; (iii) any decline in crude oil, natural gas or related hydrocarbon prices on a current or forward basis; (iv) any generally applicable change in Applicable Laws (other than orders, judgments or decrees against such Party or any of its Subsidiaries) or in GAAP; (v) any matter which has been communicated in writing to the other Party or publicly disclosed as of the date hereof; or (vi) any changes or effects arising from matters permitted or contemplated by this Agreement or consented to or approved in writing by the other Party *provided*, however, that with respect to clauses (i), (ii), (iii) and (iv), such matter does not have a materially disproportionate effect on the Party and its Subsidiaries (if applicable), taken as a whole, relative to comparable entities operating in the oil and natural gas industry in which the Party operates; or (b) either individually or in the aggregate prevents, or individually or in the aggregate would reasonably be expected to prevent, the Party from performing its material obligations under this Agreement in any material aspect;
- (qq) “**McDaniel**” means McDaniel & Associates Consultants Ltd., independent petroleum consultants, Calgary, Alberta;
- (rr) “**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions*;
- (ss) “**MI 62-104**” means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*;
- (tt) “**misrepresentation**” has the meaning set forth in the *Securities Act* (Alberta);
- (uu) “**Parties**” means Pine Cliff and Geomark; and “**Party**” means either one of them;
- (vv) “**Pine Cliff Board**” means the board of directors of Pine Cliff;
- (ww) “**Pine Cliff Damages Event**” has the meaning ascribed thereto in section 6.2;

- (xx) **“Pine Cliff Disclosure Letter”** means the letter of Pine Cliff addressed to Geomark dated the date of this Agreement providing disclosure of certain information;
- (yy) **“Pine Cliff Financial Statements”** means, collectively, the audited financial statements of Pine Cliff for the years ended December 31, 2011 and 2010, together with the notes thereto and the report of the auditors thereon and the interim unaudited condensed financial statements of Pine Cliff for the three and six months ended June 30, 2012 and 2011;
- (zz) **“Pine Cliff Information”** means the information describing Pine Cliff and its business, operations and affairs and otherwise relating to the Pine Cliff Meeting (but excluding any information relating solely to the Pine Cliff Name Change Resolution) specifically provided by Pine Cliff for inclusion or incorporation by reference in the Circular;
- (aaa) **“Pine Cliff Meeting”** means the special meeting of Pine Cliff Shareholders to be held to consider the Issuance Resolution and, if applicable, the Pine Cliff Name Change Resolution, including any adjournment(s) thereof;
- (bbb) **“Pine Cliff Name Change Resolution”** means the special resolution that, at the sole discretion of Pine Cliff, may be put forward for consideration by the Pine Cliff Shareholders at the Pine Cliff Meeting relating to the proposed amendment to the articles of incorporation of Pine Cliff to provide for a change of corporate name of Pine Cliff;
- (ccc) **“Pine Cliff Options”** means the outstanding stock options of Pine Cliff, whether or not vested, entitling the holders thereof to acquire Pine Cliff Shares;
- (ddd) **“Pine Cliff Public Record”** means all information filed by or on behalf of Pine Cliff after December 31, 2011 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws;
- (eee) **“Pine Cliff Reserves Reports”** means: (i) the independent reserves evaluation of Pine Cliff’s oil, natural gas liquids and natural gas interests prepared by Sproule effective December 31, 2011 and dated February 10, 2012; and (ii) the independent reserves evaluation of certain oil, natural gas liquids and natural gas assets in the Carrot Creek area in the Province of Alberta, acquired by Pine Cliff pursuant to a purchase agreement dated February 9, 2012, prepared by McDaniel effective January 1, 2012 and dated February 10, 2012;
- (fff) **“Pine Cliff Shareholders”** means the holders from time to time of Pine Cliff Shares;
- (ggg) **“Pine Cliff Shares”** means common shares in the share capital of Pine Cliff;
- (hhh) **“Pine Cliff Support Agreements”** means the agreements, in substantially the form set out in Schedule “C” hereto, between Geomark and certain Pine Cliff Shareholders, pursuant to which each such Pine Cliff Shareholder has agreed to vote the Pine Cliff Shares beneficially owned or controlled or subsequently acquired by each such Pine Cliff Shareholder in favour of the Issuance Resolution and to otherwise support the Arrangement;
- (iii) **“Plan of Arrangement”** means the plan of arrangement substantially in the form set out in Schedule “A” to this Agreement as modified, amended or supplemented from time to time in accordance with the terms hereof;

- (jjj) “**Registrar**” means the Registrar of Corporations for the Province of Alberta appointed under section 263 of the ABCA;
- (kkk) “**Returns**” shall mean all reports, estimates, elections, designations, forms, information statements and returns relating to, or required to be filed in connection with, any Taxes;
- (lll) “**Securities Authorities**” means, collectively, the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada;
- (mmm) “**Sproule**” means Sproule Associates Limited, independent petroleum consultants, Calgary, Alberta;
- (nnn) “**Subsidiary**” has the meaning set forth in the *Securities Act* (Alberta);
- (ooo) “**Superior Proposal**” has the meaning set forth in subsection 3.4(b)(vi)(A);
- (ppp) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, all as amended from time to time;
- (qqq) “**Taxes**” shall mean all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any federal, provincial, territorial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), goods and services taxes, harmonized sales taxes, payroll and employee withholding taxes, employment insurance, Canada Pension Plan contributions, social insurance taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which a Party is required to pay, withhold, remit or collect;
- (rrr) “**TSXV**” means the TSX Venture Exchange;
- (sss) “**United States**” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
- (ttt) “**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder;
- (uuu) “**U.S. Securities Laws**” means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time; and
- (vvv) “**WMC**” means WMC International Limited, a wholly-owned inactive Subsidiary of Geomark formerly active in Québec, incorporated under the laws of Ontario.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement.

### **1.3 Other Definitional and Interpretive Provisions**

References in this Agreement to the words “include”, “includes” or “including” shall unless the context otherwise requires, be deemed to be followed by the words “without limitation” whether or not they are in fact followed by those words or words of similar import.

### **1.4 Number, etc.**

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and corporations and vice versa.

### **1.5 Date for Any Action**

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action is required to be taken on the next succeeding day which is a Business Day.

### **1.6 Entire Agreement**

This Agreement and the Confidentiality Agreement, together with the agreements and documents herein and therein referred to, constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings (including the expression of interest letter dated August 20, 2012 and accepted on August 22, 2012), negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof. In the event of any inconsistency between this Agreement and the Confidentiality Agreement, this Agreement shall supersede the Confidentiality Agreement to the extent of such inconsistency.

### **1.7 Currency**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

### **1.8 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under Canadian generally accepted accounting principles applicable to publicly accountable enterprises at the relevant time and which, effective for years beginning on or after January 1, 2011, incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board (“GAAP”); and all determinations of an accounting nature that are required to be made shall be made in a manner consistent with GAAP.

### **1.9 Disclosure in Writing**

Reference to disclosure in writing herein shall, in the case of Pine Cliff, include disclosure in writing to Pine Cliff or its representatives, or in the case of Geomark, include disclosure in writing to Geomark or its representatives.

### **1.10 References to Legislation**

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

### **1.11 Enforceability**

All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief and general principles of equity).

### **1.12 Knowledge**

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of a Party, it refers to the knowledge of the senior officers of the Party, as the case may be, after reasonably inquiry, and such officer shall make such inquiry as is reasonable in the circumstances. For the purposes of this section 1.12, "senior officers", in the case of Pine Cliff, means its President and Chief Executive Officer, its Chief Financial Officer and Secretary and its Controller and in the case of Geomark means its President and Chief Operating Officer, its Chief Executive Officer and its Chief Financial Officer and Secretary.

### **1.13 Interpretation Not Affected by Party Drafting**

The Parties acknowledge that their respective legal counsel have reviewed and participated in negotiating, drafting and settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

### **1.14 Schedules**

The following schedule attached hereto is incorporated into and forms an integral part of this Agreement:

Schedule "A" – Plan of Arrangement

Schedule "B" – Form of Geomark Support Agreement

Schedule "C" – Form of Pine Cliff Support Agreement

## **ARTICLE 2 THE ARRANGEMENT AND MEETING**

### **2.1 Plan of Arrangement**

The Parties agree that the Arrangement, pursuant to which, among other things, holders of Geomark Shares shall receive, for each Geomark Share held, 1.5 Pine Cliff Shares, shall be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement.

### **2.2 Interim Order, Final Order, etc.**

- (a) As soon as reasonably practicable, Geomark shall apply to the Court, in a manner acceptable to Pine Cliff, acting reasonably, for the Interim Order and thereafter diligently seek the Interim Order and, upon receipt thereof, Geomark shall forthwith carry out the terms of the Interim Order to the extent applicable to it. The Interim Order shall provide, among other things:
  - (i) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Geomark Meeting and for the manner in which such notice is to be provided;

- (ii) for the record date(s) for the purposes determining the persons to whom notice of the Geomark Meeting is to be provided and for the purposes of determining the persons entitled to vote at the Geomark Meeting;
  - (iii) that the Geomark Shareholders shall be entitled to vote with respect to the Arrangement Resolution, with each Geomark Shareholder being entitled to one vote for each Geomark Share held;
  - (iv) that the requisite majority for the approval of the Arrangement Resolution shall be both:
    - (A) two-thirds of the votes cast by the Geomark Shareholders present in person or by proxy at the Geomark Meeting; and
    - (B) if applicable, a majority of the votes cast by Geomark Shareholders present in person or by proxy at the Geomark Meeting, excluding any votes in respect of Geomark Shares as may be required to be excluded pursuant to Applicable Laws, subject to any other voting approval required by Applicable Laws;
  - (v) that in all other respects, the terms, restrictions and conditions of Geomark's articles and by-laws, including quorum requirements and all other matters shall apply in respect of the Geomark Meeting;
  - (vi) for the grant of Dissent Rights as provided for in the Plan of Arrangement;
  - (vii) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
  - (viii) that the Geomark Meeting may be adjourned or postponed from time to time by Geomark in accordance with this Agreement without the need for additional approval of the Court.
- (b) Provided the Interim Order is obtained, all necessary approvals for the Arrangement Resolution are obtained from the Geomark Shareholders, and all necessary approvals for the Issuance Resolution are obtained from the Pine Cliff Shareholders, Geomark shall, as soon as practicable following the Geomark Meeting, submit the Arrangement to the Court and apply for the Final Order.
  - (c) As soon as is reasonably practicable, following the issuance of the Final Order and subject to the conditions precedent in Article 5, Geomark shall proceed to file the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to subsection 193(10) of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality.

### **2.3 Circular and Meetings**

- (a) As soon as is reasonably practicable following the execution of this Agreement and in compliance with the Interim Order and Applicable Laws, the Parties shall prepare the Circular and cause the Circular to be mailed to the Geomark Shareholders and other third Parties all in accordance with the Interim Order and Applicable Laws, and the Pine Cliff Shareholders in accordance with Applicable Laws, and filed with applicable Securities Authorities, other regulatory authorities and

other Governmental Authorities in all jurisdictions where the same is required to be mailed and filed.

- (b) Subject to the terms of this Agreement and the Interim Order, Geomark agrees to convene and conduct the Geomark Meeting in accordance with the Interim Order, Geomark's articles of incorporation and by-laws and Applicable Laws as soon as reasonably practicable, and not adjourn, postpone or cancel (or propose to adjourn, postpone or cancel) the Geomark Meeting without the prior written consent of Pine Cliff, except as required for quorum purposes (in which case the Geomark Meeting shall be adjourned and not cancelled).
- (c) Subject to the terms of this Agreement, Pine Cliff agrees to convene and conduct the Pine Cliff Meeting in accordance with Pine Cliff's articles of incorporation and by-laws and Applicable Laws as soon as reasonably practicable, and not adjourn, postpone or cancel (or propose to adjourn, postpone or cancel) the Pine Cliff Meeting without the prior written consent of Geomark, except as required for quorum purposes (in which case the Pine Cliff Meeting shall be adjourned and not cancelled).
- (d) Pine Cliff shall, in a timely manner, furnish Geomark with the Pine Cliff Information and Geomark shall, in a timely manner, furnish Pine Cliff with the Geomark Information in order that the Parties can comply with the timeline set forth in this section 2.3.
- (e) The Parties shall cooperate in the preparation, filing and mailing of the Circular. Geomark shall provide Pine Cliff and its representatives with a reasonable opportunity to review and comment on the Circular and any other relevant documentation and shall accept all reasonable comments made by Pine Cliff or its counsel thereon, provided that all Pine Cliff Information shall be in form and content satisfactory to Pine Cliff and provided that the Circular shall comply in all respects with Applicable Laws. Pine Cliff shall provide Geomark and its representatives with a reasonable opportunity to review and comment on the Circular and any other relevant documentation and shall accept all reasonable comments made by Geomark or its counsel thereon, provided that all Geomark Information shall be in form and content satisfactory to Geomark and provided that the Circular shall comply in all respects with Applicable Laws.

## **2.4 General**

- (a) Geomark shall provide Pine Cliff and its counsel the reasonable opportunity to review and comment upon drafts of all material to be filed by Geomark with the Court in connection with the Arrangement and any supplement or amendment thereto and shall accept all reasonable comments made by Pine Cliff or its counsel thereon and provide counsel to Pine Cliff on a timely basis with copies of any notice of appearance and evidence served on Geomark or its counsel in respect of the application for the Interim Order and/or the Final Order or any appeal therefrom and of any notice (written or oral) received by Geomark indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order.
- (b) Geomark shall not file any material with the Court in connection with the Arrangement or serve any such material and shall not agree to modify or amend materials so filed or served except as contemplated hereby or with the prior written consent of Pine Cliff, such consent not to be unreasonably withheld or delayed.

## **2.5 Recommendations of Geomark Board**

Based upon, among other things, the opinion of AltaCorp, with respect to those members entitled to vote, the Geomark Board has unanimously determined that the Arrangement is fair to the Geomark Shareholders, is in the best interests of Geomark and unanimously approved the Arrangement and the entering into of the Arrangement Agreement and has resolved unanimously to recommend Geomark Shareholders vote in favour of the Arrangement. Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included, along with the written fairness opinion of AltaCorp, confirming the aforementioned opinion of such financial advisor, in the Circular.

## **2.6 Recommendations of Pine Cliff Board**

With respect to those members entitled to vote, the Pine Cliff Board has unanimously approved the Arrangement and the entering into of the Arrangement Agreement and has resolved unanimously to recommend Pine Cliff Shareholders vote in favour of the Issuance Resolution. Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included in the Circular.

## **2.7 Effective Date**

The Arrangement shall become effective at the Effective Time on the Effective Date.

## **2.8 Treatment of Geomark Options**

The Geomark Disclosure Letter sets forth full particulars of Geomark Options outstanding as of the date hereof, including without limitation the following: the names of the holders of Geomark Options; the date of grant and the date of expiry of all Geomark Options; the exercise price of each Geomark Option; and the number of Geomark Options held by each Geomark Optionholder. The Parties acknowledge and agree that the vesting of the outstanding Geomark Options will be accelerated and that all such Geomark Options not previously vested, will become exercisable prior to the Effective Time in accordance with the terms and provisions of the Geomark Option Plan. Geomark covenants and agrees that it will provide notice, in accordance with the terms and provisions of the Geomark Option Plan and sections 3.2(i) and (j) hereof, in writing to all of the holders of outstanding Geomark Options providing that subject to the completion of the Arrangement, all Geomark Options shall be deemed to have terminated and Geomark shall have no further obligations to the holders thereof with respect thereto unless such holder of Geomark Options shall have elected to exercise all Geomark Options held by the holder immediately prior to the completion of the Arrangement, provided that any Geomark Shares issued pursuant to Geomark Options for which vesting has been accelerated pursuant to the Arrangement, shall be deposited with the Depositary pursuant to the Arrangement.

## **2.9 Treatment of Pine Cliff Options**

The Parties acknowledge and agree that the vesting of the outstanding Pine Cliff Options will not be accelerated as a result of the Arrangement.

## **2.10 Geomark Support Agreements**

Geomark represents, as of the date hereof, that Geomark Shareholders holding in the aggregate not less than 25% of the Geomark Shares, have executed the Geomark Support Agreements whereby each such Geomark Shareholder has agreed to vote its Geomark Shares in favour of the Arrangement Resolution. Geomark acknowledges and agrees that the Geomark Information shall reflect the execution and delivery

of such Geomark Support Agreements and the terms thereof to the extent determined by Pine Cliff, acting reasonably and subject to Applicable Laws.

### **2.11 Pine Cliff Support Agreements**

Pine Cliff represents, as of the date hereof, that Pine Cliff Shareholders holding in the aggregate not less than 35% of the Pine Cliff Shares, have executed the Pine Cliff Support Agreements whereby each such Pine Cliff Shareholder has agreed to vote its Pine Cliff Shares in favour of the Issuance Resolution. Pine Cliff acknowledges and agrees that the Pine Cliff Information shall reflect the execution and delivery of such Pine Cliff Support Agreements and the terms thereof to the extent determined by Geomark, acting reasonably and subject to Applicable Laws.

### **2.12 Employees and Directors**

Unless otherwise permitted pursuant to this Agreement, all officers, employees, consultants and directors of Geomark shall continue to remain officers, employees, consultants and directors of Geomark at the Effective Time, other than Rodger A. Tourigny, who shall resign immediately prior to the Effective Time and who shall only be entitled (on the condition that he has executed a full and final mutual release in a form satisfactory to Pine Cliff and Rodger A. Tourigny, each acting reasonably) to the amount of directors fees in respect of acting as a member of the special committee of the Geomark Board as set forth in the Geomark Disclosure Letter, which shall be paid in full by Geomark immediately prior to or concurrent with the Effective Time.

### **2.13 Directors' and Officers' Indemnities**

Pine Cliff agrees that Geomark and its successors shall fulfill its obligations pursuant to indemnities provided or available to past and present officers and directors of Geomark pursuant to the provisions of the constating documents of Geomark, applicable corporate legislation and any written indemnity agreements which have been entered into between Geomark and its current officers and directors effective on or prior to the date hereof and further agrees that it will not take any action and will ensure that Geomark takes no action that would have the effect of terminating such indemnity rights or rendering the same unavailable to such directors and officers.

### **2.14 Geomark Fairness Opinion**

Geomark represents as of the date hereof that it has received an oral opinion of AltaCorp to the effect that, as of such date, the consideration to be received by the Geomark Shareholders under the Arrangement is fair, from a financial point of view, to the Geomark Shareholders and has been advised by AltaCorp that they will provide a written opinion to that effect for inclusion in the Circular and Geomark covenants to provide a copy of that written opinion to Pine Cliff upon receipt and to include a copy of such opinion in the Circular.

### **2.15 Dissenting Shareholders**

Registered Geomark Shareholders entitled to vote at the Geomark Meeting may exercise Dissent Rights with respect to their Geomark Shares in connection with the Arrangement pursuant to and in the manner set forth in the Interim Order and Plan of Arrangement. Geomark shall give Pine Cliff prompt notice of any written notice of a dissent, withdrawal of such notice, and other instruments served pursuant to such Dissent Rights and Received by Geomark and provide Pine Cliff with copies of such notices and written objections.

## **2.16 Disclosure Letter**

Notwithstanding anything in either the Geomark Disclosure Letter or Pine Cliff Disclosure Letter to the contrary, all disclosures in such disclosure letters must reference a particular section in this Agreement in order to be deemed to relate to or modify such section of the Agreement. The inclusion of any item in such disclosure letters shall not be construed as an admission by either Party of the materiality of such item.

## **2.17 Tax Withholdings**

Pine Cliff shall be entitled to deduct and withhold from any consideration otherwise payable to any Geomark Shareholder, and, for greater certainty, from any amount payable to a Geomark Shareholder who has validly exercised, and not withdrawn, Dissent Rights, as the case may be, under the Plan of Arrangement, such amounts as Pine Cliff is required to deduct and withhold from such consideration in accordance with applicable tax laws and administrative policy of the Canada Revenue Agency. Any such amounts will be deducted and withheld from the consideration payable pursuant to the Plan of Arrangement and shall be treated for all purposes as having been paid to the Geomark Shareholder, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Governmental Authority. In connection with any amount required to be withheld pursuant to the Plan of Arrangement, Pine Cliff may direct the Depositary to withhold such number of Pine Cliff Shares that may otherwise be paid to such Geomark Shareholder under the Plan of Arrangement and to sell such shares on the TSXV for cash proceeds to be used for such withholding.

## **2.18 U.S. Securities Laws**

The Arrangement shall be structured and executed such that, assuming the Court considers the fairness of the terms and conditions of the Arrangement and grants the Final Order, the issuance of the Pine Cliff Shares issuable to Geomark Shareholders under the Arrangement will not require registration under the U.S. Securities Act, in reliance upon subsection 3(a)(10) thereof. Each Party agrees to act in good faith, consistent with the intent of the Parties and the intended treatment of the Arrangement as set forth in this section 2.18.

# **ARTICLE 3 COVENANTS**

## **3.1 Mutual Covenants**

From the date hereof until the earlier of the completion of the Arrangement and the termination of this Agreement in accordance with Article 8, each Party shall:

- (a) use its reasonable commercial efforts to obtain the Interim Order;
- (b) use its reasonable commercial efforts to mail the Circular to the Geomark Shareholders and Pine Cliff Shareholders;
- (c) use its reasonable commercial efforts to obtain the Final Order as soon as practicable following the Pine Cliff Meeting and Geomark Meeting and complete the Arrangement on or before October 31, 2012;
- (d) conduct its business only in the usual and ordinary course of business consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and

maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and each Party shall consult with the other Party in respect of its ongoing business and affairs and keep the other Party apprised of all material developments relating thereto;

- (e) not directly or indirectly do or permit to occur any of the following without the prior written approval of the other Party, such approval not to be unreasonably withheld: (i) amend its constating documents (*provided*, however that, subject to Applicable Laws, Pine Cliff is expressly permitted to change its name prior to the Effective Time); (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its outstanding shares; (iii) issue (other than on exercise of the currently outstanding Geomark Options or Pine Cliff Options, respectively, in accordance with their terms), grant, sell or pledge or agree to issue, grant, sell or pledge any of its securities, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, its securities; (iv) redeem, purchase or otherwise acquire any of its securities; (v) split, combine or reclassify any of its securities; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization; (vii) complete any corporate acquisition or disposition, arrangement, merger, arrangement or make any material change to its business, capital or affairs, other than: (A) in the ordinary course of business; (B) in connection with a transfer of all of Geomark's oil and gas properties to Pine Cliff on such terms to be agreed to by Pine Cliff and Geomark, each acting reasonably; or (C) otherwise in connection with the Arrangement; (viii) reduce its stated capital or any of its outstanding shares; (ix) pay, discharge or satisfy any material claims, liabilities or obligations, other than in the ordinary course of business consistent with past practice; (x) sell, dispose of, transfer, convey, encumber, surrender, release or abandon the whole or any part of its assets, other than production in the ordinary course; (xi) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere or affect the consummation of the Arrangement; or (xii) other than as permitted hereby, enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (f) not take or cause to be taken, or fail to take or cause to be taken, any action that would render, or may reasonably be expected to render, any of its representations or warranties made in this Agreement untrue in any material respect at any time prior to completion of the Arrangement or termination of this Agreement, whichever first occurs;
- (g) promptly notify the other Party in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Geomark or Pine Cliff, respectively, threatened, financial or otherwise) in the business, operations, affairs, assets, capitalization, financial condition, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of the Party and its Subsidiaries, taken as a whole, as applicable, or of any change in any representation or warranty provided by such Party in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and each Party shall in good faith discuss with the other Party any change in circumstances (actual, anticipated, contemplated, or to the knowledge of Geomark or Pine Cliff, respectively, threatened) which is of such a nature that there may be a reasonable question as to whether notice needs to be given to the other Party pursuant to this provision;
- (h) promptly advise the other Party in writing of any material breach by such Party of any covenant, obligation or agreement contained in this Agreement;
- (i) with respect to Taxes:

- (i) duly and timely file all Returns required to be filed by it on or after the date hereof but prior to the Effective Time and ensure that all such Returns are true, complete and correct in all material respects;
  - (ii) timely pay all Taxes that are due and payable prior to the Effective Time (other than those that are being contested in good faith and in respect of which reserves have been provided in the Geomark Financial Statements or the Pine Cliff Financial Statements, as applicable);
  - (iii) not breach any flow-through share agreement to which it is or was a party in respect of the issuance of flow-through shares (as defined under the Tax Act) prior to the Effective Time and, in particular, not fail to incur and renounce expenses which it covenanted to incur and renounce in respect thereof;
  - (iv) not make or rescind any election relating to Taxes, other than an election under subsection 110(1.1) of the Tax Act not to deduct amounts paid on surrender of Geomark Options or Pine Cliff Options, as applicable, such that optionees will be entitled to the deduction under subsection 110(1)(d) of the Tax Act;
  - (v) not make a request for a tax ruling or enter into any agreement with any Governmental Authority;
  - (vi) not settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes; and
  - (vii) not change in any material respect any of its methods of reporting income, deductions or accounting for income tax purposes from those employed in the preparation of its income tax return for the taxation year ending December 31, 2011, except as may be required by Applicable Law;
- (j) indemnify and save harmless the other Party and the directors, officers, employees, advisors and agents of the other Party from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which the other Party, or any director, officer, employee, advisor or agent thereof, may be subject or which the other Party, or any director, officer, employee, advisor or agent thereof, may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
- (i) any misrepresentation or alleged misrepresentation by Geomark or Pine Cliff, as applicable, in the Geomark Information or Pine Cliff Information, respectively;
  - (ii) any order made or any inquiry, investigation or proceeding by any Securities Authority or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation by Geomark or Pine Cliff, as applicable, in any material filed by or on such Party's respective behalf in compliance with or intended compliance with Applicable Laws, which prevents or restricts trading in the Geomark Shares or the Pine Cliff Shares, as applicable; or
  - (iii) Geomark or Pine Cliff, as applicable, not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement,

except that: (A) Geomark shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation based solely on the Pine Cliff Information, the negligence of Pine Cliff or the non-compliance by Pine Cliff with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement; and (B) Pine Cliff shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation based solely on the Geomark Information, the negligence of Geomark or the non-compliance by Geomark with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

- (k) use its reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable efforts:
  - (i) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements (including with respect to the loan of \$20 million from Geomark to Bonterra Energy Corp.), leases and other contracts;
  - (ii) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated by this Agreement;
  - (iii) defend all lawsuits or legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;
  - (iv) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions completed hereby;
  - (v) to effect all necessary registrations and filings and submission of information requested by Governmental Authorities required to be effected by it in connection with the Arrangement; and
  - (vi) to fulfil all conditions and satisfy all provisions of this Agreement and the Plan of Arrangement; and
- (l) use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this section 3.1 including, without limitation, continuing to provide reasonable access to information and to maintain ongoing communications as between representatives of the Parties, subject in all cases to the Confidentiality Agreement.

### **3.2 Covenants of Geomark**

From the date hereof until the earlier of the completion of the Arrangement and the termination of this Agreement in accordance with Article 8, except with the prior written consent of Pine Cliff, such consent not to be unreasonably withheld, and except as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) Geomark shall not directly or indirectly: (i) sell, pledge, dispose of or encumber any assets, other than production in the ordinary course of business; (ii) other than in the ordinary course of business, expend or commit to expend any amount with respect to any capital expenditures having a value in excess of \$100,000 individually or \$150,000 in the aggregate; (iii) other than in the ordinary course of business, expend or commit to expend any amounts with respect to any operating expenses having a value in excess of \$25,000 individually or \$50,000 in the aggregate; (iv) acquire or agree to acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof which is not a Subsidiary or affiliate of Geomark as of the date hereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (v) acquire any material assets; (vi) incur any indebtedness for borrowed money in excess of existing credit facilities, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances, other than in respect of fees payable to legal, financial and other advisors in the ordinary course of business or as otherwise contemplated in this Agreement or in respect of the Arrangement; (vii) authorize, recommend or propose any release or relinquishment or any material contract right; (viii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document; (ix) pay, discharge, settle or satisfy any material claims, liabilities or obligations; (x) enter into or terminate any hedges, swaps or other financial instruments or like transactions; (xi) enter into any agreements for the sale of production having a term of more than 30 days; (xii) enter into any agreement or understanding with regards to any lease for real property; or (xiii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (b) Geomark shall not make any payment to any employee, consultant, officer or director outside of their ordinary and usual compensation for services provided unless disclosed in the Geomark Disclosure Letter;
- (c) Geomark shall not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, stock purchase plan, fund or arrangement for the benefit of employees, including, without limitation, the Geomark Option Plan, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
- (d) Geomark shall not: (i) grant any officer, director, employee or consultant an increase in compensation in any form; (ii) pay or commit to pay any bonus to any employee or consultant; (iii) grant any general salary increase; (iv) take any action with respect to the amendment of any severance or termination pay policies or arrangements for any directors, officers, employees or consultants, or make any payment of or arrange for the payment of severance or termination pay (except for payments to Rodger Tourigny as set forth in section 2.12); (v) adopt or amend any stock option plan including, without limitation, the Geomark Option Plan, or the terms of any outstanding rights (including Geomark Options) thereunder; nor (vi) advance any loan to any officer, director, employee, consultant or any other party;
- (e) Geomark shall cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the

coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect and shall pay all premiums in respect of such insurance policies that become due prior to the Effective Date;

- (f) Geomark shall withhold from any payment made to any of its present or former employees, consultants, officers or directors in respect of any payments contemplated by this Agreement including, without limitation, in connection with the exercise, surrender or cancellation of Geomark Options and payments owing by Geomark, if any, to such persons, all amounts required by law or administrative practice to be withheld by it on account of Taxes and other source deductions;
- (g) Geomark shall ensure that it has available funds under its bank facilities to make, within the time periods contemplated herein, the payment of the amount which may be required by section 6.2 having regard to its other liabilities and obligations, and shall ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (h) Geomark shall use its reasonable commercial efforts to satisfy or cause satisfaction of the conditions set forth in sections 5.1 and 5.2 hereof as soon as possible to the extent that the satisfaction of the same is within the control of Geomark;
- (i) Geomark shall, not less than thirty (30) days prior to the Effective Date or such lesser period as may be approved by the Geomark Board, deliver to each of the holders of Geomark Options the notice contemplated by section 2.9.1 of the Geomark Option Plan;
- (j) Geomark shall not elect to terminate any of the Geomark Options upon payment to any holder of Geomark Options of the Termination Amount (as defined in the Geomark Option Plan) or provide any notice as contemplated by section 2.9.7 of the Geomark Option Plan to any holder of Geomark Options;
- (k) Geomark shall provide notice to Pine Cliff of the Geomark Meeting and allow Pine Cliff's representatives to attend such meeting;
- (l) Geomark shall provide Pine Cliff with all information respecting its operations and affairs as may be reasonably requested from time to time;
- (m) Geomark shall ensure that the Circular has been prepared in compliance with Applicable Laws and shall include, without limitation, the determinations and recommendations of the Geomark Board pursuant to section 2.5 and the fairness opinion contemplated by section 2.14, provided that notwithstanding the covenants of Geomark in this subsection, prior to the completion of the Arrangement, the Geomark Board may withdraw, modify or change the recommendation regarding the Arrangement Resolution if, in the opinion of the Geomark Board acting reasonably, having received the advice of its outside legal counsel, such withdrawal, modification or change is required to act in a manner consistent with the fiduciary duties of the Geomark Board or Applicable Laws and, if applicable, provided Geomark shall have complied with the provisions of section 6.2;
- (n) except for proxies and other non-substantive communications with the holders of Geomark securities, Geomark shall furnish promptly to Pine Cliff or Pine Cliff's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Geomark from holders of Geomark securities or regulatory agencies in connection with: (i) the Arrangement; (ii) the

Geomark Meeting; (iii) any filings under Applicable Laws; and (iv) any dealings with regulatory agencies in connection with the transactions contemplated by this Agreement;

- (o) Geomark will make all other necessary filings and applications under Applicable Laws required on the part of Geomark, in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such Applicable Laws;
- (p) concurrently with the execution of this Agreement, duly executed Geomark Support Agreements from directors and officers of Geomark and such other Geomark Shareholders as may be reasonably requested by Pine Cliff representing, in aggregate, not less than 25% of the Geomark Shares (on a fully diluted basis), will be delivered to Pine Cliff;
- (q) Geomark shall solicit proxies to be voted at the Geomark Meeting in favour of matters to be considered at the Geomark Meeting, including the Arrangement Resolution and, at Pine Cliff's request, provide reports of the results of voting of such proxies;
- (r) Geomark shall conduct the Geomark Meeting in accordance with the by-laws of Geomark, the Interim Order and any instrument governing the Geomark Meeting, as applicable, and as otherwise required by law;
- (s) Geomark will forthwith carry out the terms of the Interim Order and the Final Order and take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (t) Geomark shall, on an as received basis, promptly advise Pine Cliff of the number of Geomark Shares for which Geomark receives notices of dissent or written objections to the Arrangement and provide Pine Cliff with copies of such notices and written objections; and
- (u) Geomark will cooperate with Pine Cliff in making application to the TSXV to list the Pine Cliff Shares that will be issuable to the Geomark Shareholders pursuant to the Arrangement on the TSXV.

### **3.3 Covenants of Pine Cliff**

From the date hereof until the earlier of the completion of the Arrangement and the termination of this Agreement in accordance with Article 8, except with the prior written consent of Geomark, such consent not to be unreasonably withheld, and except as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) Pine Cliff shall not directly or indirectly: (i) sell, pledge, dispose of or encumber any assets, other than production in the ordinary course of business; (ii) other than in the ordinary course of business, expend or commit to expend any amount with respect to any capital expenditures having a value in excess of \$100,000 individually or \$150,000 in the aggregate; (iii) other than in the ordinary course of business, expend or commit to expend any amounts with respect to any operating expenses having a value in excess of \$25,000 individually or \$50,000 in the aggregate; (iv) acquire or agree to acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof which is not a Subsidiary or affiliate of Pine Cliff as of the date hereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (v) acquire any material assets; (vi) incur any indebtedness for borrowed money in excess of existing credit facilities, or any other material liability or obligation or issue any debt securities or assume,

guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances, other than in respect of fees payable to legal, financial and other advisors in the ordinary course of business or as otherwise contemplated in this Agreement or in respect of the Arrangement; (vii) authorize, recommend or propose any release or relinquishment or any material contract right; (viii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document; (ix) pay, discharge, settle or satisfy any material claims, liabilities or obligations; (x) enter into or terminate any hedges, swaps or other financial instruments or like transactions; (xi) enter into any agreements for the sale of production having a term of more than 30 days; (xii) enter into any agreement or understanding with regards to any lease for real property; or (xiii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

- (b) Pine Cliff shall ensure that it has available funds under its lines of credit or other bank facilities to make, within the time periods contemplated herein the payment of the amount which may be required by section 6.2 having regard to its other liabilities and obligations, and shall ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (c) Pine Cliff shall use its reasonable commercial efforts to satisfy or cause satisfaction of the conditions set forth in sections 5.1 and 5.3 hereof as soon as possible to the extent that the satisfaction of the same is within the control of Pine Cliff;
- (d) Pine Cliff shall provide notice to Geomark of the Pine Cliff Meeting and allow Geomark's representatives to attend such meeting;
- (e) Pine Cliff shall provide Geomark with all information respecting its operations and affairs as may be reasonably requested from time to time;
- (f) Pine Cliff shall ensure that the Circular has been prepared in compliance with Applicable Laws and shall include, without limitation, the recommendation of the Pine Cliff Board that pursuant to the determination and recommendations of the Pine Cliff Board pursuant to section 2.6, provided that notwithstanding the covenants of Pine Cliff in this subsection, prior to the completion of the Arrangement, the Pine Cliff Board may withdraw, modify or change the recommendation regarding the Issuance Resolution if, in the opinion of the Pine Cliff Board acting reasonably, having received the advice of its outside legal counsel, such withdrawal, modification or change is required to act in a manner consistent with the fiduciary duties of the Pine Cliff Board or Applicable Laws and, if applicable, provided Pine Cliff shall have complied with the provisions of section 6.1;
- (g) except for proxies and other non-substantive communications with the holders of Pine Cliff securities, Pine Cliff shall furnish promptly to Geomark or Geomark's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Pine Cliff from holders of Pine Cliff securities or regulatory agencies in connection with: (i) the Arrangement; (ii) the Pine Cliff Meeting; (iii) any filings under Applicable Laws in connection with the transactions contemplated by this Agreement; and (iv) any dealings with regulatory agencies in connection with the transactions contemplated by this Agreement;
- (h) concurrently with the execution of this Agreement, duly executed Pine Cliff Support Agreements from directors and officers of Pine Cliff and such other Pine Cliff Shareholders as may be

reasonably requested by Geomark representing, in aggregate, not less than 35% of the Pine Cliff Shares (on a fully diluted basis), will be delivered to Geomark;

- (i) Pine Cliff shall solicit proxies to be voted at the Pine Cliff Meeting in favour of matters to be considered at the Pine Cliff Meeting, including the Issuance Resolution and, at Geomark's request, provide reports of the results of voting of such proxies;
- (j) Pine Cliff will make all other necessary filings and applications under Applicable Laws required on the part of Pine Cliff, in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such Applicable Laws;
- (k) Pine Cliff shall conduct the Pine Cliff Meeting in accordance with the by-laws of Pine Cliff and any instrument governing the Pine Cliff Meeting, as applicable, and as otherwise required by law;
- (l) Pine Cliff shall solicit proxies to be voted at the Pine Cliff Meeting in favour of matters to be considered at the Pine Cliff Meeting, including the Issuance Resolution and, at Geomark's request, provide reports of the results of voting of such proxies;
- (m) Pine Cliff shall, on the Effective Date, provide to the Depositary an irrevocable direction authorizing and directing the Depositary to issue the Pine Cliff Shares issuable under the Arrangement to holders of the Geomark Shares and shall irrevocably direct the Depositary to distribute the Pine Cliff Shares to the holders of the Geomark Shares in accordance with the terms of the Arrangement;
- (n) Pine Cliff will use its reasonable commercial efforts to assist Geomark in obtaining the Interim Order and the Final Order and take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement; and
- (o) Pine Cliff will make application to the TSXV to list the Pine Cliff Shares that will be issuable to the Geomark Shareholders pursuant to the Arrangement and use its reasonable commercial efforts to obtain approval from the TSXV, subject only to customary conditions, for the listing of such Pine Cliff Shares on the TSXV upon completion of the Arrangement.

### **3.4 Covenants Regarding Non-Solicitation**

- (a) Each of Geomark and Pine Cliff shall and shall cause the officers, directors, employees, representatives and agents of it and its Subsidiaries to immediately cease any existing discussions or negotiations with any person (other than the other Party or its representatives) with respect to any proposal that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal and to request, in accordance with the terms of any applicable confidentiality agreement, the return or destruction of all confidential information provided in connection therewith.
- (b) Each Party shall not, directly or indirectly, do or authorize or permit any of its officers, directors, employees, advisors, representatives and agents (in this section 3.4, the "**Representatives**") to do, any of the following:
  - (i) solicit, knowingly facilitate, initiate or encourage any Acquisition Proposal;
  - (ii) accept any proposal or offer that constitutes, may constitute, or may reasonably be expected to lead to, an Acquisition Proposal, including, without limitation, by way of furnishing information;

- (iii) enter into or participate in any negotiations or initiate any discussion regarding an Acquisition Proposal, or furnish to any other person any information with respect to its securities, business, properties, operations or conditions (financial or otherwise) in connection with, or furtherance of, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing;
- (iv) release, waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear in respect of, any rights or other benefits under any confidentiality agreements, including, without limitation, any “standstill provisions” thereunder; or
- (v) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal,

provided, however, that notwithstanding any other provision hereof, each Party (in this section 3.4, the “**Target**”) and its Representatives may:

- (vi) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, by the Target or any of its Representatives) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to the other Party as set out below), may furnish to such third party information concerning the Target and its business, properties and assets, in each case if, and only to the extent that:
  - (A) the third party has first made a written bona fide Acquisition Proposal and the board of directors of the Target (in this section 3.4, the “**Target Board**”) determines in good faith: (1) that funds or other consideration necessary to complete the Acquisition Proposal are or are likely to be available at the time and on the basis set out therein; (2) after consultation with its financial advisor(s), the Acquisition Proposal would, if consummated in accordance with its terms, result in a transaction more favourable, from a financial point of view, to the shareholders of the Target than the transaction contemplated by this Agreement in its current form; (3) after consultation with its financial advisor(s) and outside counsel, is reasonably likely to be consummated at the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receiving the advice of outside counsel as reflected in minutes of the Target Board that the taking of such action is necessary for the Target Board in discharge of its fiduciary duties under Applicable Laws (a “**Superior Proposal**”); and
  - (B) prior to furnishing such information to or entering into or participating in any such negotiations or initiating any discussions with such third party, the Target provides prompt notice to the other Party to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such person or entity together with a copy of the confidentiality and standstill agreement referenced above and if not previously provided to the other Party, copies of all information provided to such third party concurrently with the

provision of such information to such third party, and provided further that the Target shall notify the other Party orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a summary of the details of such proposal (and any amendments or supplements thereto), the identity of the person making it, if not previously provided to the other Party, copies of all information provided to such party and all other information reasonably requested by the other Party), immediately and in no event later than 24 hours of the receipt thereof, shall keep the other Party informed of the status and details of any such inquiry, offer or proposal and answer the other Party's questions with respect thereto;

- (vii) comply with Division 3 of MI 62-104 and similar provisions under Applicable Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
  - (viii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the Target Board shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement and after receiving the advice of outside counsel as reflected in minutes of the Target Board, that the taking of such action is necessary for the Target Board in discharge of its fiduciary duties under Applicable Laws and the Target complies with its obligations set forth in subsection 3.4(c) and: (A) terminates this Agreement in accordance with subsection 8.1(e) and concurrently therewith pays the amount required by section 6.1 in the case of Pine Cliff; or (B) terminates this Agreement in accordance with subsection 8.1(f) and concurrently therewith pays the amount required by section 6.2 in the case of Geomark.
- (c) In the event that the Target is in receipt of a Superior Proposal, it shall give the other Party, orally and in writing, at least three (3) Business Days advance notice of any decision by the Target Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Target Board has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such three (3) Business Day period, the Target agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions (which, for greater certainty, shall prevent the party making the Superior Proposal from making any Acquisition Proposal to the Target Board that is not solicited, initiated, encouraged or knowingly facilitated by the Target) and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such three (3) Business Day period, the Target shall, and shall cause its financial and legal advisors to, negotiate in good faith with the other Party and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable the Target to proceed with the Arrangement as amended rather than the Superior Proposal. In the event the other Party proposes to amend this Agreement to provide either that: (i) where the Target is Geomark, the shareholders of Geomark shall receive a value per share equal to or having a value greater than the value per share provided in the Superior Proposal; or (ii) where the Target is Pine Cliff, the amended Agreement will result in a transaction more favourable, from a financial point of view, to the shareholders of Pine Cliff than the transaction contemplated by the Superior Proposal, and so advises the Target Board prior to the expiry of such three (3) Business Day period, the Target Board shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release

the party making the Superior Proposal from any standstill provisions (which, for greater certainty, shall prevent the party making the Superior Proposal from making any Acquisition Proposal to the Target Board that is not solicited, initiated, encouraged or knowingly facilitated by the Target) and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. Notwithstanding the foregoing, and for greater certainty, the other Party shall have no obligation to make or negotiate any changes to this Agreement in the event that the Target is in receipt of a Superior Proposal. In the event that the Target provides the notice contemplated by this section 3.4(c) on date which is less than five (5) Business Days prior to the Geomark Meeting or the Pine Cliff Meeting, as applicable, the other Party shall be entitled to require the Target to adjourn or postpone the Geomark Meeting or the Pine Cliff Meeting, as applicable, to a date that is not more than ten (10) Business Days after the date of such notice.

- (d) Each Party agrees that all information that may be provided to it by the Target with respect to any Superior Proposal pursuant to this section 3.4 shall be treated as if it were “Confidential Information” as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.
- (e) If required by the other Party, the Target shall, subsequent to the three (3) Business Day notice period contemplated by subsection 3.4(c) reaffirm its recommendation of the Arrangement by press release promptly in the event that: (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to subsection 3.4(c) which results in any Acquisition Proposal not being a Superior Proposal.
- (f) Each Party shall ensure that its officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of this section 3.4. Each Party shall be responsible for any breach of this section 3.4 by its officers, directors, employees, investment bankers, advisers or representatives.

### **3.5 Access to Information**

- (a) From and after the date hereof until the Effective Time or the termination of this Agreement, the Parties shall, upon reasonable notice, provide one another and their respective representatives access, during normal business hours and at such other time or times as such Party may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, employees and management personnel and shall furnish promptly to the other Party all information concerning its business, properties and personnel as the other Party may reasonably request in order to permit the Parties to be in a position to expeditiously and efficiently integrate the respective business and operations of one another immediately upon but not prior to the Effective Date. From and after the date hereof until the Effective Time or the termination of this Agreement, each Party agrees to keep the other fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising after the date hereof that would be relevant and material to a prudent operator of the business and operations of the other Party. From and after the date hereof until the Effective Time or the termination of this Agreement, each Party shall confer with the other prior to taking action (other than in emergency situations) with respect to any material operational matters involved in its respective business and the representatives of each Party shall be advised of and may attend at and participate in all operations meetings held by the other Party.

- (b) Without limiting the generality of any of the other provisions of this Agreement, the Parties shall make available to one another all land, legal, title documents and related files, geologic maps, well files and well logs, books, papers, financial information and pertinent documents or agreements.
- (c) In addition, each Party agrees to:
  - (i) give the legal and professional representatives and agents of the other Party full access to its books, records and documents, provided that Geomark or Pine Cliff, respectively, is satisfied, acting reasonably, that the confidentiality of the subject matter of the disclosure can be maintained in accordance herewith; and
  - (ii) endeavour to include in the information furnished to the other Party pursuant to subsection 3.5(c)(i), all information which would reasonably be considered to be relevant for the purposes of its investigation and not knowingly withhold any information which would make anything contained in the information delivered erroneous or misleading.
- (d) The Parties acknowledge and agree that all information provided by Geomark to Pine Cliff or by Pine Cliff to Geomark pursuant to this section 3.5 shall remain subject to the provisions of the Confidentiality Agreement.

#### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

##### **4.1 Representations and Warranties of Geomark**

As at the date hereof, Geomark hereby makes the representations and warranties set forth in this section 4.1 to and in favour of Pine Cliff and acknowledges that Pine Cliff is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.

- (a) Geomark is a corporation duly incorporated and validly subsisting under the ABCA, and Geomark has the requisite power and authority to carry on its business as it is now being conducted by it.
- (b) Geomark USA is a corporation duly incorporated and validly existing under the laws of the State of Delaware and has the requisite corporate power and authority to conduct its business as is now being conducted by it.
- (c) WMC is a corporation duly and validly subsiding under the laws of the Province of Ontario and has not carried on any active business since approximately 2003.
- (d) Geomark and each of its Subsidiaries is duly registered to do business and is in good standing in each jurisdiction in which the character of its respective properties, owned or leased, or the nature of its respective activities make such registration necessary, except where the failure to be so registered or in good standing would not have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (e) As of the date hereof, Geomark is the beneficial direct or indirect owner of all of the outstanding securities of Geomark USA and WMC. There are no other outstanding Securities of Geomark USA or WMC, or options, warrants, rights of conversion or exchange privilege or securities entitling anyone to acquire any Securities of Geomark USA or WMC, any other rights,

agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Geomark USA or WMC of any securities of Geomark USA or WMC, or any securities convertible into, transfer by Geomark USA or WMC of any Securities. Other than Geomark USA and WMC, Geomark has no Subsidiaries.

- (f) All outstanding securities of Geomark USA and WMC have been duly authorized and validly issued, are fully paid and non-assessable and are no subject to, nor were they issued in violation of, any pre-emptive rights.
- (g) Geomark has the requisite corporate power and authority to enter into and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Geomark of the transactions contemplated by this Agreement has been duly authorized by the Geomark Board and, subject to the approval of the Geomark Shareholders of the Arrangement Resolution and the approval by the Geomark Board of the Circular, no other corporate proceedings on the part of Geomark are or shall be necessary to consummate the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by Geomark and constitutes a legal, valid and binding obligation of Geomark enforceable against Geomark in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity.
- (h) Subject to the approval of the Geomark Shareholders of the Arrangement Resolution and the receipt of the Interim Order and the Final Order, neither the execution and delivery of this Agreement by Geomark, the consummation by Geomark of the transactions contemplated by this Agreement nor compliance by Geomark with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or Encumbrance upon any of the properties or assets of Geomark under, any of the terms, conditions or provisions of: (A) the articles, bylaws or other constating documents of Geomark or any of its Subsidiaries, or (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Geomark or any of its Subsidiaries is a party or to which it, or its properties or assets, may be subject or by which Geomark or any of its Subsidiaries is bound (subject to obtaining the consent and a waiver from Geomark's lenders); (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation in Canada applicable to Geomark (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have any material adverse effect on Geomark or any of its Subsidiaries or materially impede the ability of Geomark to consummate the transactions contemplated by this Agreement); or (iii) cause a suspension or revocation of any authorization for the consent, approval or license currently in effect which would have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (i) Other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Arrangement or which are required to be fulfilled post-Arrangement:
  - (i) there is no legal impediment to Geomark's consummation of the transactions contemplated by this Agreement; and

- (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Geomark in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not materially impede the ability of Geomark to consummate the transactions contemplated by this Agreement.
- (j) Geomark has authorized an unlimited number of Geomark Shares and an unlimited number of preferred shares. As at the date hereof, 52,279,760 Geomark Shares, nil preferred shares and 30,000 Geomark Options with an exercise price of \$0.79 per share, 2,439,000 Geomark Options with an exercise price of \$0.80 per share, 12,000 Geomark Options with an exercise price of \$1.25 per share, 270,000 Geomark Options with an exercise price of \$1.32 per share and 180,000 Geomark Options with an exercise price of \$1.57 per share (each Geomark Option entitling the holders thereof to acquire a Geomark Share) are issued and outstanding. Except as aforesaid, there are no other outstanding securities of Geomark or options, warrants, rights of conversion or exchange privileges or other securities entitling anyone to acquire any securities of Geomark or any other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Geomark of any securities. All outstanding Geomark Shares have been duly authorized and validly issued, and are fully paid and non-assessable and are not subject to, nor have they been issued in violation of, any pre-emptive rights. All Geomark Shares issuable upon exercise of outstanding Geomark Options in accordance with their terms and the Geomark Option Plan will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights.
- (k) Except as disclosed in the Geomark Public Record, since December 31, 2011:
  - (i) there has not been any material adverse change respecting Geomark and its Subsidiaries (taken as a whole) from the position set forth in the Geomark Financial Statements;
  - (ii) there have been no material facts, transactions, events or occurrences which, to the knowledge of Geomark, could reasonably be expected to result in a material adverse change respecting Geomark and its Subsidiaries (taken as a whole);
  - (iii) Geomark and each of its Subsidiaries has conducted its business only in the ordinary and normal course, consistent with past practice; and
  - (iv) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Geomark and its Subsidiaries (taken as a whole) has been incurred other than in the ordinary and normal course of business, consistent with past practice.
- (l) Geomark has no reason to believe that the Geomark Reserves Report was not accurate in all material respects as at the effective date of such report, and, except for any impact of changes in commodity prices, which may or may not be material, Geomark has no knowledge of a material adverse change in the production, costs, price, reserves, estimates of future net production revenues or other relevant information from that disclosed in the Geomark Reserves Report. Geomark has provided to Sproule all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and natural gas assets of Geomark, as at the effective date of such report, and, in particular, all material information respecting the interests of Geomark in its principal oil and natural gas assets and royalty burdens and net profits interest burdens thereon and such information was accurate and correct in all

material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no material adverse change in any of the material information so provided since the date thereof.

- (m) Except as set out in the Geomark Disclosure Letter, there is no court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry by any Governmental Authority, or any claim, action, suit, demand, arbitration, charge, indictment, hearing or other similar civil, quasi-criminal or criminal, administrative or investigative material matter or proceeding (collectively, “**proceedings**”) against or involving it, in respect of the businesses, properties or assets of Geomark or any of its Subsidiaries (whether in progress or, to the knowledge of Geomark, threatened), that if adversely determined, would reasonably be expected to have a material adverse effect on Geomark and its Subsidiaries (taken as a whole) or significantly impede the completion of the transactions contemplated by this Agreement and, to the knowledge of Geomark, no event has occurred which might reasonably be expected to give rise to any such proceeding. There is no judgment, writ, decree, injunction, rule, award or order of any Governmental Authority outstanding against Geomark or any of its Subsidiaries in respect of its respective business, properties or assets that has had or would reasonably be expected to have a material adverse effect on Geomark and its Subsidiaries (taken as a whole) or significantly impede the completion of the transactions contemplated by this Agreement.
- (n) The Geomark Financial Statements fairly present, in accordance with GAAP, consistently applied, the financial position and condition of Geomark and its Subsidiaries (on a consolidated basis) at the dates thereof and the results of the operations of Geomark and its Subsidiaries (on a consolidated basis) for the periods then ended and reflect in accordance with GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Geomark and its Subsidiaries (on a consolidated basis) as at the dates thereof.
- (o) Except as set forth in the Geomark Financial Statements, Geomark has no material liabilities or obligations, contingent or otherwise, other than: (i) liabilities incurred in the ordinary course of business subsequent to June 30, 2012; and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under GAAP to be reflected in the Geomark Financial Statements.
- (p) Geomark maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP. The statements in the certificates included in the Geomark Public Record of Geomark’s chief executive officer and chief financial officer relating to the internal control over financial reporting maintained by Geomark and its Subsidiaries as being sufficient to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for Geomark and its Subsidiaries in accordance with GAAP and as such standards are defined in National Instrument 52-109 - *Certification of Disclosure* are true and complete.
- (q) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of Geomark.
- (r) There has not been any material change (as such term is defined under Canadian Securities Laws) affecting Geomark and its Subsidiaries (taken as a whole) from the position set forth in the most recent Geomark Financial Statements or otherwise disclosed in the Geomark Public Record, there has not been any adverse material change affecting Geomark and its Subsidiaries (taken as a

whole) since December 31, 2011 that has not been disclosed in the Geomark Public Record and since December 31, 2011, and there have been no transactions, events or occurrences that have materially adversely affected, or would reasonably be expected to result in any material adverse effect on, the business, affairs, operations, capital, properties, prospects, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of Geomark or any of its Subsidiaries that have not been disclosed in the Geomark Public Record.

- (s) The Geomark Financial Statements reflect all material assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Geomark and its Subsidiaries as at the dates thereof that are required to be disclosed therein in accordance with GAAP.
- (t) Geomark has not received notice of any material violation of or investigation relating to any federal, provincial or local law, regulation or ordinance with respect to its assets, business or operations and Geomark holds all permits, licenses and other authorizations which are required under federal, provincial or local laws relating to the assets, business or operations of Geomark, except where the failure to comply with the foregoing would not have a material adverse effect on Geomark. The assets of Geomark are operated and maintained by it in compliance with all terms and conditions of Applicable Laws, permits, licenses and authorizations in all material respects.
- (u) No securities commission or similar regulatory authority, or stock exchange in Canada has issued any order which is currently outstanding preventing, restricting or suspending trading in any securities of Geomark, no such proceeding is, to the knowledge of Geomark, pending, contemplated or threatened and Geomark is not, to its knowledge, in default of any requirement of any Applicable Laws.
- (v) Other than the payment of the director fees owing to the sole member of the special committee of the Geomark Board, details of which are set out in the Geomark Disclosure Letter, there are no payments, including accrued bonuses, owing or that will become owing in connection with the Arrangement to directors, officers, employees or consultants (not including financial advisors) of Geomark under any contract settlements, bonus plans, retention arrangements, change of control agreements or severance obligations (whether resulting from termination or alteration of duties).
- (w) The Geomark Disclosure Letter sets out a correct and complete list (the “**Employment Information**”) of each employee, director, independent contractor, consultant and agent of Geomark who currently provides services to the administration, operation, maintenance and management of Geomark pursuant to an agreement which may not be terminated with less than three months notice (or pay in lieu thereof), whether actively at work or not, their salaries, wage rates, commissions and consulting fees, bonus arrangements, benefits, positions, status as full-time or part-time employees, location of employment and length of service. Except as set out in the Employment Information, no such person has any agreement as to length of notice or severance payment required to terminate his or her employment, other than such as results by Applicable Laws from the employment of an employee without an agreement as to notice or severance.
- (x) The business of Geomark and each of its Subsidiaries has been and is being operated in all material respects in full compliance with all Applicable Laws relating to employment, including employment standards, occupational health and safety, human rights, labour relations, workers compensation, pay equity and employment equity and none of Geomark or any of its Subsidiaries has received notice of any outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any workers’ compensation legislation and

none of Geomark or any of its Subsidiaries has been reassessed in any material respect under such legislation.

- (y) All amounts due or accrued for all salary, wages, bonuses, commissions, vacation with pay, and other employee benefits in respect of any employee, director, independent contractor, consultant and agent of Geomark or any of its Subsidiaries which are attributable to the period before the Effective Date will be paid at or prior to the Effective Time in amounts as previously disclosed to Pine Cliff and are or shall be accurately reflected in the books and records of Geomark.
- (z) Except as set out in the Geomark Disclosure Letter, no employee of Geomark or any of its Subsidiaries is on long term disability leave, extended absence or receiving benefits pursuant to the *Workers' Compensation Act* (Alberta) or similar legislation in the other jurisdictions in which Geomark or any of its Subsidiaries carry on business.
- (aa) None of Geomark or any of its Subsidiaries has any plan of providing benefits to its respective employees, officers, directors or consultants other than those disclosed to Pine Cliff in the Geomark Disclosure Letter.
- (bb) Geomark has not retained any financial advisor, broker, agent or finder, or paid or agreed to pay or have Pine Cliff pay any financial advisor, broker, agent or finder on account of this Agreement or the Arrangement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that AltaCorp has been retained as Geomark's financial advisors in connection with certain matters, including the transactions contemplated by this Agreement. Geomark has delivered to Pine Cliff true and current copies of all agreements between Geomark and AltaCorp which could give rise to the payment of any fees to such financial advisers and such agreements accurately reflect the fees payable to AltaCorp.
- (cc) With respect to those members entitled to vote, the Geomark Board has unanimously endorsed the Arrangement and approved this Agreement, has unanimously determined, based, among other things, on the fairness opinion, that the Arrangement is in the best interests of Geomark and has resolved to unanimously recommend approval of the Arrangement by the Geomark Shareholders.
- (dd) Geomark is not a party to any shareholder rights plan or any other form of plan, agreement, contract or instrument that shall trigger any rights to acquire Geomark Shares or other securities of Geomark or its Subsidiaries or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the Arrangement.
- (ee) To the knowledge of Geomark, none of the Geomark Shares are the subject of any escrow, voting trust or other similar agreement.
- (ff) Except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on Geomark and its Subsidiaries (taken as a whole):
  - (i) none of Geomark or any of its Subsidiaries is in violation of any Environmental Laws;
  - (ii) Geomark and each of its Subsidiaries has operated its respective business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any

municipal or other sewer or drain water systems by Geomark or any of its Subsidiaries that have not been remedied;

- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Geomark or any of its Subsidiaries;
  - (v) none of Geomark or any of its Subsidiaries has failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law; and
  - (vi) Geomark and each of its Subsidiaries hold all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its respective business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for notifications and conditions of general application to assets of reclamation obligations under legislation in Alberta, Ontario, the United States and any other jurisdiction in which it conducts its business, Geomark has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated.
- (gg) The corporate records and minute books, books of account and other records of Geomark and each of its Subsidiaries (whether of a financial or accounting nature or otherwise) have been maintained in accordance with, in all material respects, all applicable statutory requirements and prudent business practice and will be complete and accurate in all material respects as at the Effective Date.
- (hh) All Returns required to be filed by Geomark and each of its Subsidiaries have been duly filed, in all material respects, on a timely basis and, in any event, prior to the Effective Date, and all Government Charges shown to be payable on such Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis and, in any event, prior to the Effective Date. The filed Returns are true, complete and correct in all material respects, and no other Government Charges are payable by Geomark or any of its Subsidiaries with respect to items or periods covered by such Returns.
- (ii) There are no assessments, reassessments of any Government Charges that have been issued and are outstanding, or pursuant to which there are any amounts owing. No Governmental Authority has challenged, disputed or questioned Geomark in respect of Government Charges or of any returns, filings or other reports filed under any statute providing for Government Charges. None of Geomark or any of its Subsidiaries are negotiating any draft assessment or reassessment with any Governmental Authority. Geomark is not aware of any contingent liabilities for Government Charges or any grounds for an assessment or reassessment including, without limitation, aggressive treatment of income, expenses, credits or other claims for deduction under any return or notice other than as disclosed in the its financial statements as at and for the year ended December 31, 2011. None of Geomark or any of its Subsidiaries has received any indication from any Governmental Authority that an assessment or reassessment is proposed in respect of any Government Charges, regardless of its merits. None of Geomark or any of its Subsidiaries

has executed or filed with any Governmental Authority any agreement extending the period for the filing of any Returns or for the assessment, reassessment or collection of any Government Charges. None of Geomark or any of its Subsidiaries has requested, nor entered into any agreement or other arrangement, or executed any waiver providing for, any extension of time within which: (i) to file any Return with respect to any Government Charges for which it is or may be liable, respectively; (ii) to file any elections, designations or similar documents or instruments relating to Government Charges for which it is or may be liable, respectively; (iii) it is respectively required to pay or remit any Government Charges or amounts on account thereof; or (iv) any Governmental Authority may assess, reassess or collect Government Charges for which either it is or may be liable, respectively.

- (jj) Geomark is not a party to any sharing agreement, indemnification agreement or other agreement or arrangement relating to Government Charges with any person. Geomark does not have any liability for the Government Charges of any other person under any Applicable Laws, as a transferee or successor, by contract or otherwise.
- (kk) Geomark has not claimed or will not claim in any Return for any taxation year ending on or before the Effective Date any reserve (including, without limitation, any reserve under paragraph 20(1)(m) or 20(1)(n) or subparagraph 40(1)(a)(iii) of the Tax Act or any analogous provision under the legislation of any province or other jurisdiction) of any amount which could be included in the income of Geomark for any period ending after the Effective Date.
- (ll) No facts, circumstances or events exist or have existed that have resulted in or may result in the application of any of sections 80 to 80.04 of the Tax Act to Geomark.
- (mm) The tax basis of the assets of Geomark by category, including the classification of such assets as being depreciable, amortizable or resource properties giving rise to resource pools as reflected in the Returns of Geomark, is true and correct in all material respects.
- (nn) Geomark has not acquired property from a non-arm's length person, within the meaning of the Tax Act, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which would subject it to a liability under section 160 of the Tax Act or under any equivalent provisions of any applicable legislation.
- (oo) Geomark has not made or filed any election under section 85 or any other section of the Tax Act under which liability for Taxes is deferred or any equivalent provincial provision.
- (pp) Geomark has paid or provided adequate accruals in the Geomark Financial Statements for the year ended December 31, 2011 and for the interim period ended June 30, 2012 for Government Charges, including income taxes and related future taxes, in conformity with GAAP. The liability for Government Charges under the Tax Act and other Applicable Laws has been assessed for all taxation years up to and including December 31, 2011.
- (qq) Geomark has complied with all registration, reporting, collection and remittance requirements in respect of all federal and provincial sales tax legislation including but not limited to the *Excise Tax Act* (Canada). Geomark has provided to Pine Cliff all invoices, purchase orders, and all such other documents as are necessary to report any claim for income tax credits or refunds claimed or to be claimed pursuant to the *Excise Tax Act* (Canada).
- (rr) Geomark and each of its Subsidiaries has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada

for the purposes of the Tax Act, all amounts required by Applicable Laws and will continue to do so until the Effective Time and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Geomark and each of its Subsidiaries, as applicable, has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health taxes and other Government Charges payable by it in respect of its employees and has or will have remitted such amounts to the proper Governmental Authority within the time required by applicable law. Geomark has charged, collected and remitted on a timely basis all Government Charges as required by Applicable Laws on any sale, supply or delivery whatsoever, made by Geomark.

- (ss) Geomark and its Subsidiaries have not carried on business outside the Province of Alberta other than in the Province of Ontario, the Northwest Territories, Nunavut and the State of Utah.
- (tt) Geomark has not breached any flow-through share agreement to which it is or was a party in respect of the issuance of flow-through shares (as defined in the Tax Act) and, in particular, Geomark does not have any outstanding obligations to incur and/or renounce Canadian exploration expenses or Canadian development expenses (all as defined in the Tax Act) which it covenanted to incur and renounce nor has any Governmental Authority or Geomark reduced pursuant to subsection 66(12.73) of the Tax Act any amount renounced by Geomark.
- (uu) Geomark has not made any payment, nor is obligated to make any payment, and is not a party to any agreement under which it could be obligated to make any payment that may not be deductible by virtue of section 67 or 78 of the Tax Act or any analogous provincial or similar provision.
- (vv) Records or documents that meet the requirements of subsections 247(4)(a) to (c) of the Tax Act have been made and obtained by Geomark with respect to all material transactions between Geomark and any non-resident person with whom Geomark was not dealing at arm's length within the meaning of the Tax Act, during a taxation year commencing after 1998 and ending on or before the Effective Date.
- (ww) No director, officer, insider or other non-arm's length party to Geomark or any of its Subsidiaries (or any associate or affiliate thereof) has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever which are based on production from or in respect of any properties of Geomark.
- (xx) Other than as set forth in the Geomark Disclosure Letter, no director, officer, insider or other non-arm's length party of Geomark or any of its Subsidiaries is indebted to Geomark.
- (yy) Except for indemnity agreements with its directors and officers as contemplated by the by-laws of Geomark and Applicable Laws, and other than standard indemnity agreements, in financial services, underwriting and agency agreements and in the ordinary course provided to service providers, Geomark is not a party to or bound by any agreement, guarantee, indemnification, or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person, firm or corporation.
- (zz) Any and all operations of Geomark, and to the knowledge of Geomark, any and all operations by third parties, on or in respect of the assets and properties of Geomark, have been conducted in compliance with good oilfield and mining practices.

- (aaa) Although it does not warrant title, Geomark does not have reason to believe that Geomark or any of its Subsidiaries does not have title to or the irrevocable right to produce and sell its respective petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the “**Geomark Interests**”) and does represent and warrant that, to the knowledge of Geomark, the Geomark Interests are free and clear of adverse claims created by, through or under Geomark or any of its Subsidiaries, except related to bank financing or those arising in the ordinary course of business, and, to the knowledge of Geomark, Geomark or one of its Subsidiaries holds the Geomark Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements, except where the failure to so hold the Geomark Interests would not have a material adverse effect upon Geomark and its Subsidiaries (taken as a whole).
- (bbb) Geomark is not aware of any defects, failures or impairments in the title of Geomark or any of its Subsidiaries to its respective oil and natural gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (i) the quantity and pre-tax present worth values of the oil and natural gas reserves of Geomark shown in the Geomark Reserves Report; (ii) the current production of Geomark and its Subsidiaries (taken as a whole); or (iii) the current cash flow of Geomark and its Subsidiaries (taken as a whole).
- (ccc) None of Geomark or any of its Subsidiaries has received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument pertaining to its oil and natural gas assets to which it is a party or by or to which it or any such assets are bound or subject, except to the extent that such defaults would not in the aggregate have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (ddd) To the knowledge of Geomark:
- (i) Geomark and each of its Subsidiaries is in good standing under all, and is not in default under any; and
  - (ii) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,
- leases and other title and operating documents or any other agreements and instruments pertaining to its oil and natural gas assets to which it is a party or by or to which it or such assets are bound or subject and, to the knowledge of Geomark, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not in the aggregate have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (eee) To the knowledge of Geomark, none of the assets of Geomark or any of its Subsidiaries are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Geomark or any of its Subsidiaries, except to the extent that all such reductions or changes to an interest would not in the aggregate have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (fff) To the knowledge of Geomark, none of the wells in which Geomark or any of its Subsidiaries holds an interest has been produced in excess of applicable production allowables imposed by any

Applicable Laws or any Governmental Authority and Geomark does not have any knowledge of any impending change in production allowables imposed by any Applicable Laws or any Governmental Authority that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate except to the extent that such non-compliance or changes would not in the aggregate have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).

- (ggg) None of Geomark or any of its Subsidiaries has received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority and, to its knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (hhh) To the knowledge of Geomark, all wells located on any lands in which Geomark or any of its Subsidiaries has an interest, or lands with which such lands have been pooled or unitized, which have been abandoned have been abandoned in accordance with all applicable statutes and regulations regarding the abandonment of wells.
- (iii) The tangible depreciable property used or intended for use in connection with the oil and natural gas assets and/or mineral assets of Geomark or any of its Subsidiaries:
  - (i) for which Geomark or any of its Subsidiaries was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and natural gas or mineral industry practices, as applicable, in Canada and all Applicable Laws during all periods in which Geomark or any of its Subsidiaries was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
  - (ii) for which Geomark or any of its Subsidiaries was not or is not operator, to the knowledge of Geomark, was or has been constructed, operated and maintained in accordance with good and prudent oil and natural gas or mineral industry practices, as applicable, in Canada and all Applicable Laws during all periods in which Geomark or any of its Subsidiaries had an interest therein and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and natural gas or mineral industry practices, as applicable, or Applicable Laws would not in the aggregate have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).

- (jjj) None of Geomark or any of its Subsidiaries has: (i) received any advance payments for petroleum or services not already delivered or provided prior to receipt of payment; or (ii) any accrued “take-or-pay” or “send-or-pay” liabilities under any agreement.
- (kkk) All fees in respect of seismic and well data (including those payable on a change of control or transfer) in respect of which Geomark or any of its Subsidiaries (or the relevant operator) has a licence, have been duly paid.
- (lll) None of Geomark or any of its Subsidiaries has entered into any material joint venture with a third party other than as set out in the Geomark Disclosure Letter.

- (mmm) Except as disclosed to Pine Cliff in the Geomark Disclosure Letter, there are no outstanding authorizations for expenditure pertaining to any of the oil and natural gas assets or mineral assets of Geomark or any of its Subsidiaries or any other commitments, approvals or authorizations pursuant to which an expenditure may be required to be made in respect of such assets after the date of the most recent Geomark Financial Statements in excess of \$100,000 for each such commitment, approval or authorization.
- (nnn) Except where the failure to do so would not individually or in the aggregate have a material adverse effect on Geomark or any of its Subsidiaries, Geomark or any of its Subsidiaries has: (i) withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Tax Act all amounts required by Applicable Laws and shall continue to do so until the Effective Date and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority; (ii) remitted all Canada Pension Plan contributions, unemployment insurance premiums, employer health taxes and other Taxes payable by it in respect of its employees and has or shall have remitted such amounts to the proper Governmental Authority within the time required by Applicable Law; and (iii) charged, collected and remitted on a timely basis all Taxes as required by Applicable Laws on any sale, supply or delivery whatsoever, made by Geomark or any of its Subsidiaries.
- (ooo) To the knowledge of Geomark or any of its Subsidiaries, all ad valorem, property, production, severance and similar Taxes and assessments based on or measured by the ownership of property or the production of its hydrocarbon substances or minerals, or the receipt of proceeds therefrom, payable in respect of its oil and natural gas assets or mineral assets prior to the date hereof have been properly and fully paid and discharged, and there are no unpaid Taxes or assessments which could result in a lien or charge on its oil and natural gas assets or mineral assets, except where the failure to do so would not individually or in the aggregate have a material adverse effect on Geomark and its Subsidiaries (taken as a whole).
- (ppp) Except as set out in the Geomark Disclosure Letter, none of Geomark or any of its Subsidiaries is a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, transfer or move any of its assets or operations, where such covenant would have a material adverse effect on the business of Geomark and its Subsidiaries (taken as a whole).
- (qqq) The Geomark Disclosure Letter sets forth the policies of insurance in force at the date hereof naming Geomark or any of its Subsidiaries as an insured, such policies adequately cover all risks as are customarily covered by oil and gas producers and/or mineral companies in the industry in which Geomark or any of its Subsidiaries operates and such policies remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.
- (rrr) Except as set out in the Geomark Financial Statements or in the Geomark Disclosure Letter, none of Geomark or any of its Subsidiaries is a party to or subject to any hedges, swaps or other financial instruments or like transactions.
- (sss) To the knowledge of Geomark, Geomark has not withheld from Pine Cliff any material information or documents concerning Geomark or any of its Subsidiaries or its respective assets or liabilities during the course of Pine Cliff's review of Geomark and its assets and liabilities.

- (ttt) There are no agreements material to the conduct of Geomark's affairs or business, except for those agreements entered into in the ordinary course of business or disclosed in the Geomark Public Record, and all such material agreements are valid and subsisting and Geomark is not in material default under any such agreements.
- (uuu) All Geomark Information shall, as of the Mailing Date and as of the Effective Date, be true and complete in all material respects and shall not contain any misrepresentation or omit to state any material fact required to be stated.
- (vvv) The Geomark Disclosure Letter contains a complete list of all lands, wells and facilities in which Geomark or any of its Subsidiaries has an interest (and the material Encumbrances thereon).
- (www) Geomark is a reporting issuer (where such concept exists) in each of the provinces of British Columbia, Alberta, Saskatchewan and Ontario and is in material compliance with all Applicable Laws therein. The Geomark Shares are listed and posted for trading on the TSXV and Geomark is in material compliance with the rules of the TSXV. The documents and information comprising the Geomark Public Record did not at the respective times they were filed with the relevant Securities Authorities, contain any misrepresentation, unless such document or information was subsequently corrected or superseded in the Geomark Public Record prior to the date hereof. Geomark has timely filed with the Securities Authorities all material forms, reports, schedules, statements and other documents required to be filed by Geomark with the Securities Authorities since becoming a "reporting issuer". Geomark has not filed any confidential material change report that, at the date hereof, remains confidential. Neither Geomark nor, to the knowledge of Geomark, any of its directors or officers (in their capacities as directors and/or officers of Geomark) are presently subject to continuous disclosure review or investigation by any Securities Authorities or the TSXV and, to the knowledge of Geomark, no such review is pending or to the knowledge of Geomark threatened.
- (xxx) All of the assets and property of Geomark including all entities "controlled by" Geomark for purposes of the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended, are located outside the United States and did not generate sales in or into the United States exceeding US\$68.2 million during Geomark's most recently completed fiscal year.
- (yyy) Geomark is not incorporated under the laws of any state in the United States and does not have its principal office within the United States.
- (zzz) Geomark is not registered or required to be registered as an "investment company" pursuant to the *United States Investment Company Act of 1940*, as amended.
- (aaaa) No class of securities of Geomark is registered or required to be registered pursuant to section 12 of the *United States Securities Exchange Act of 1934*, as amended, nor does Geomark have a reporting obligation pursuant to subsection 15(d) of the U.S. Securities Act.
- (bbbb) Geomark and each of its Subsidiaries owns, possesses, or has obtained and is in compliance with, all licences, permits, certificates, orders, grants and other authorizations of or from any Governmental Authority necessary to conduct its respective businesses relating to its mineral properties. Applying customary standards in the jurisdiction in which the mineral properties are located, except as set out in the Geomark Disclosure Letter or the Geomark Financial Statements, Geomark and each of its Subsidiaries has sufficient right, title and interest, free and clear of any title defect or material Encumbrance:

- (i) to its permits, mining concessions, claims, leases, licences or other rights to explore for, exploit, develop, mine or produce minerals and any other properties with estimated mineral resources (other than property to which it is lessee, in which case it has a valid leasehold interest), all of which have been identified in the Geomark Disclosure Letter, subject to such permits and licences being renewed and updated on an ongoing basis in accordance with their terms and, in each case, as are necessary to perform the operation of their respective businesses as presently owned and conducted;
- (ii) to its real property interests, including fee simple estate of and in real property, licences (from landowners and authorities permitting the use of land by Geomark, Geomark USA and WMC), leases, rights of way, occupancy rights, surface rights, easements or other real property interests, or licences, all of which have been identified in the Geomark Disclosure Letter, and, in each case, as are necessary to perform the operation of their respective businesses as presently owned and conducted; or
- (iii) to, or is entitled to the benefits of, all of its properties and assets (real and personal, tangible and intangible, including leasehold interests) including all the properties and assets reflected in the balance sheet forming part of the Geomark Financial Statements, except as indicated in the notes there to, together with all additions thereto and less all dispositions thereof in the ordinary course of business consistent with past practice,

except where the failure to have such title, or the existence of such Encumbrance or defects in title, individually or in the aggregate, does not constitute a material adverse effect in respect of Geomark and its Subsidiaries (taken as a whole).

(cccc) Applying generally accepted standards in the jurisdiction in which the mineral properties are located and except as set out in the Geomark Disclosure Letter or the Geomark Financial Statements:

- (i) the mineral properties of Geomark and each of its Subsidiaries: (A) are accurately described in the Geomark Disclosure Letter; and (B) have been properly located and recorded in compliance with Applicable Laws and is comprised of valid and subsisting mineral claims in each case in all material respects;
- (ii) Geomark and its Subsidiaries have the exclusive right to deal with its respective mineral properties;
- (iii) no person other than Geomark or its Subsidiaries has any material interest in its respective mineral properties or any right to acquire any such interest;
- (iv) there are no earn-in rights, rights of first refusal, royalty rights or similar provisions which would materially affect the interests of Geomark and its Subsidiaries in its respective mineral properties;
- (v) none of Geomark, Geomark USA nor WMC has received any notice, whether written or oral, from any Governmental Authority or any person with jurisdiction or applicable authority of any revocation or intention to revoke such party's interest in its mineral properties; and
- (vi) the mineral properties of Geomark and each of its Subsidiaries are in good standing under Applicable Laws and all work required to be performed has been performed and all

Taxes, fees, expenditures and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made.

- (dddd) There are no adverse claims, actions, suits or proceedings that have been commenced or, to the knowledge of Geomark, that are pending or threatened, affecting or which could affect the title to or right to explore or develop its mineral properties, including the title to or ownership by Geomark, Geomark USA or WMC of any of the foregoing, which might involve the possibility of any judgement or liability affecting their respective mineral properties.
- (eeee) Geomark has delivered to Pine Cliff, or provided Pine Cliff with access to, all records and data and material information in its possession or the possession of Geomark, Geomark USA or WMC, or under the control of Geomark, Geomark USA or WMC, respectively, relating to their respective mineral properties and their mineral potential and relating to access rights to their respective mineral properties.
- (ffff) The most recent estimated, measured, indicated and inferred mineral resources of Geomark disclosed in the Geomark Public Record have been prepared and disclosed in all material respects in accordance with all Applicable Laws. There has been no material reduction in the aggregate amount of estimated mineral reserves and estimated mineral resources of Geomark, Geomark USA and WMC from the amounts disclosed publicly by Geomark.
- (gggg) The Depositary, at its principal office in the City of Calgary is the duly appointed registrar and transfer agent for the Geomark Shares.
- (hhhh) Neither Geomark nor any of its Subsidiaries is a party to or bound by any non-competition agreement or any other agreement or obligation which purports to limit the manner or the localities in which all or any material portion of the business of Geomark or its Subsidiaries is or is reasonably expected to be conducted.

#### **4.2 Representations and Warranties of Pine Cliff**

As of the date hereof, Pine Cliff hereby makes the representations and warranties set forth in this section 4.2 to and in favour of Geomark and acknowledges that Geomark is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.

- (a) Pine Cliff is a corporation duly incorporated and validly subsisting under the ABCA, and Pine Cliff has the requisite power and authority to carry on its business as it is now being conducted by it.
- (b) Pine Cliff is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a material adverse effect on Pine Cliff.
- (c) Pine Cliff has no Subsidiaries.
- (d) Pine Cliff has the requisite corporate power and authority to enter into and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Pine Cliff of the transactions contemplated by this Agreement has been duly authorized by the Pine Cliff Board and subject to the approval of the Pine Cliff Shareholders of the Issuance Resolution and the approval by the Pine Cliff Board of the Circular no other

corporate proceedings on the part of Pine Cliff are or shall be necessary to consummate the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by Pine Cliff and constitutes a legal, valid and binding obligation of Pine Cliff enforceable against Pine Cliff in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity.

- (e) Subject to the approval of the TSXV and the approval of the Pine Cliff Shareholders of the Issuance Resolution, neither the execution and delivery of this Agreement by Pine Cliff, the consummation by Pine Cliff of the transactions contemplated by this Agreement nor compliance by Pine Cliff with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or Encumbrance upon any of the properties or assets of Pine Cliff under, any of the terms, conditions or provisions of: (A) the articles, bylaws or other constating documents of Pine Cliff; or (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Pine Cliff is a party or to which it, or its properties or assets, may be subject or by which Pine Cliff is bound (subject to, if required, obtaining the consent of Pine Cliff's lenders); (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation in Canada applicable to Pine Cliff (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have any material adverse effect on Pine Cliff or materially impede the ability of Pine Cliff to consummate the transactions contemplated by this Agreement); or (iii) cause a suspension or revocation of any authorization for the consent, approval or license currently in effect which would have a material adverse effect on Pine Cliff.
- (f) Other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Arrangement or which are required to be fulfilled post-Arrangement:
  - (i) there is no legal impediment to Pine Cliff's consummation of the transactions contemplated by this Agreement; and
  - (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Pine Cliff in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not materially impede the ability of Pine Cliff to consummate the transactions contemplated by this Agreement.
- (g) Pine Cliff has authorized an unlimited number of Pine Cliff Shares and an unlimited number of preferred shares. As at the date hereof, 63,564,118 Pine Cliff Shares, nil preferred shares and 2,835,000 Pine Cliff Options with an exercise price of \$0.38, 255,000 Pine Cliff Options with an exercise price of \$0.50, 90,000 Pine Cliff Options with an exercise price of \$0.67, and 255,000 Pine Cliff Options with an exercise price of \$0.68 (each Pine Cliff Option entitling the holders thereof to acquire a Pine Cliff Share) are issued and outstanding. Except as aforesaid, there are no other outstanding securities of Pine Cliff or options, warrants, rights of conversion or exchange privileges or other securities entitling anyone to acquire any securities of Pine Cliff or any other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or

transfer by Pine Cliff of any securities. All outstanding Pine Cliff Shares have been duly authorized and validly issued, and are fully paid and non-assessable and are not subject to, nor have they been issued in violation of, any pre-emptive rights.

- (h) Except as disclosed in the Pine Cliff Public Record, since December 31, 2011:
  - (i) there has not been any material adverse change respecting Pine Cliff from the position set forth in the Pine Cliff Financial Statements;
  - (ii) there have been no material facts, transactions, events or occurrences which, to the knowledge of Pine Cliff, could reasonably be expected to result in a material adverse change respecting Pine Cliff;
  - (iii) Pine Cliff has conducted its business only in the ordinary and normal course, consistent with past practice; and
  - (iv) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Pine Cliff has been incurred other than in the ordinary and normal course of business, consistent with past practice.
- (i) Pine Cliff has no reason to believe that the Pine Cliff Reserves Reports were not accurate in all material respects as at the effective date of such reports, and, except for any impact of changes in commodity prices, which may or may not be material, Pine Cliff has no knowledge of a material adverse change in the production, costs, price, reserves, estimates of future net production revenues or other relevant information from that disclosed in the Pine Cliff Reserves Reports. Pine Cliff has provided to Sproule and McDaniel, as applicable, all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and natural gas assets of Pine Cliff, as at the effective date of such report, and, in particular, all material information respecting the interests of Pine Cliff in its principal oil and natural gas assets and royalty burdens and net profits interest burdens thereon and such information was accurate and correct in all material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no material adverse change in any of the material information so provided since the date thereof.
- (j) Except as set out in the Pine Cliff Disclosure Letter, there is no court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry by any Governmental Authority, or any claim, action, suit, demand, arbitration, charge, indictment, hearing or other similar civil, quasi-criminal or criminal, administrative or investigative material matter or proceeding (collectively, “**proceedings**”) against or involving Pine Cliff, or in respect of the businesses, properties or assets of Pine Cliff (whether in progress or, to the knowledge of Pine Cliff, threatened), that if adversely determined, would reasonably be expected to have a material adverse effect on Pine Cliff or significantly impede the completion of the transactions contemplated by this Agreement and, to the knowledge of Pine Cliff, no event has occurred which might reasonably be expected to give rise to any proceeding. There is no judgment, writ, decree, injunction, rule, award or order of any Governmental Authority outstanding against Pine Cliff in respect of its business, properties or assets that has had or would reasonably be expected to have a material adverse effect on Pine Cliff or significantly impede the completion of the transactions contemplated by this Agreement.

- (k) The Pine Cliff Financial Statements fairly present, in accordance with GAAP, consistently applied, the financial position and condition of Pine Cliff at the dates thereof and the results of the operations of Pine Cliff for the periods then ended and reflect in accordance with GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Pine Cliff as at the dates thereof.
- (l) Except as set forth in the Pine Cliff Financial Statements, Pine Cliff has no material liabilities or obligations, contingent or otherwise, other than: (i) liabilities incurred in the ordinary course of business subsequent to June 30, 2012; and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under GAAP to be reflected in the Pine Cliff Financial Statements.
- (m) Pine Cliff maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP. The statements in the certificates included in the Pine Cliff Public Record of Pine Cliff's chief executive officer and chief financial officer relating to the internal control over financial reporting maintained by Pine Cliff as being sufficient to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for Pine Cliff in accordance with GAAP and as such standards are defined in National Instrument 52-109 - *Certification of Disclosure* are true and complete.
- (n) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of Pine Cliff.
- (o) There has not been any material change (as such term is defined under Canadian Securities Laws) affecting Pine Cliff from the position set forth in the most recent Pine Cliff Financial Statements or otherwise disclosed in the Pine Cliff Public Record, there has not been any adverse material change affecting Pine Cliff since December 31, 2011 that has not been disclosed in the Pine Cliff Public Record and since December 31, 2011, and there have been no transactions, events or occurrences that have materially adversely affected, or would reasonably be expected to result in any material adverse effect on, the business, affairs, operations, capital, properties, prospects, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of Pine Cliff that have not been disclosed in the Pine Cliff Public Record.
- (p) The Pine Cliff Financial Statements reflect all material assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Pine Cliff as at the dates thereof that are required to be disclosed therein in accordance with GAAP.
- (q) Other than as disclosed in the Pine Cliff Disclosure Letter, Pine Cliff has not received notice of any material violation of or investigation relating to any federal, provincial or local law, regulation or ordinance with respect to its assets, business or operations and Pine Cliff holds all permits, licenses and other authorizations which are required under federal, provincial or local laws relating to the assets, business or operations of Pine Cliff, except where the failure to comply with the foregoing would not have a material adverse effect on Pine Cliff. The assets of Pine Cliff are operated and maintained by it in compliance with all terms and conditions of Applicable Laws, permits, licenses and authorizations in all material respects.
- (r) No securities commission or similar regulatory authority, or stock exchange in Canada has issued any order which is currently outstanding preventing, restricting or suspending trading in any securities of Pine Cliff, no such proceeding is, to the knowledge of Pine Cliff, pending, contemplated or threatened and Pine Cliff is not, to its knowledge, in default of any requirement of any Applicable Laws.

- (s) Pine Cliff's business has been and is being operated in all material respects in full compliance with all Applicable Laws relating to employment, including employment standards, occupational health and safety, human rights, labour relations, workers compensation, pay equity and employment equity and Pine Cliff has not received notice of any outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any workers' compensation legislation and Pine Cliff has not been reassessed in any material respect under such legislation.
- (t) With respect to those members entitled to vote, the Pine Cliff Board has unanimously endorsed the Arrangement and approved this Agreement and has resolved to unanimously recommend approval of the Arrangement by the Pine Cliff Shareholders.
- (u) Except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on Pine Cliff:
  - (i) it is not in violation of any Environmental Laws;
  - (ii) it has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Pine Cliff that have not been remedied;
  - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Pine Cliff;
  - (v) it has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law; and
  - (vi) it holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for notifications and conditions of general application to assets of reclamation obligations under legislation in Alberta and any other jurisdiction in which it conducts its business, Pine Cliff has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated.
- (v) The corporate records and minute books, books of account and other records of Pine Cliff (whether of a financial or accounting nature or otherwise) have been maintained in accordance with, in all material respects, all applicable statutory requirements and prudent business practice and will be complete and accurate in all material respects as at the Effective Date.

- (w) All Returns required to be filed by Pine Cliff have been duly filed, in all material respects, on a timely basis and, in any event, prior to the Effective Date, and all Government Charges shown to be payable on such Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis and, in any event, prior to the Effective Date. The filed Returns are true, complete and correct in all material respects, and no other Government Charges are payable by Pine Cliff with respect to items or periods covered by such Returns.
- (x) There are no assessments, reassessments of any Government Charges that have been issued and are outstanding, or pursuant to which there are any amounts owing. No Governmental Authority has challenged, disputed or questioned Pine Cliff in respect of Government Charges or of any returns, filings or other reports filed under any statute providing for Government Charges. Pine Cliff is not negotiating any draft assessment or reassessment with any Governmental Authority. Pine Cliff is not aware of any contingent liabilities for Government Charges or any grounds for an assessment or reassessment including, without limitation, aggressive treatment of income, expenses, credits or other claims for deduction under any return or notice other than as disclosed in the its financial statements as at and for the year ended December 31, 2011. Pine Cliff has not received any indication from any Governmental Authority that an assessment or reassessment is proposed in respect of any Government Charges, regardless of its merits. Pine Cliff has not executed or filed with any Governmental Authority any agreement extending the period for the filing of any Returns or for the assessment, reassessment or collection of any Government Charges. Pine Cliff has not requested, nor entered into any agreement or other arrangement, or executed any waiver providing for, any extension of time within which: (i) to file any Return with respect to any Government Charges for which it is or may be liable; (ii) to file any elections, designations or similar documents or instruments relating to Government Charges for which it is or may be liable; (iii) it is required to pay or remit any Government Charges or amounts on account thereof; or (iv) any Governmental Authority may assess, reassess or collect Government Charges for which either it is or may be liable.
- (y) Pine Cliff is not a party to any sharing agreement, indemnification agreement or other agreement or arrangement relating to Government Charges with any person. Pine Cliff does not have any liability for the Government Charges of any other person under any Applicable Law, as a transferee or successor, by contract or otherwise.
- (z) Pine Cliff has not claimed or will not claim in any Return for any taxation year ending on or before the Effective Date any reserve (including, without limitation, any reserve under paragraph 20(1)(n) or subparagraph 40(1)(a)(iii) of the Tax Act or any analogous provision under the legislation of any province or other jurisdiction) of any amount which could be included in the income of Pine Cliff for any period ending after the Effective Date.
- (aa) No facts, circumstances or events exist or have existed that have resulted in or may result in the application of any of sections 80 to 80.04 of the Tax Act to Pine Cliff.
- (bb) The tax basis of the assets of Pine Cliff by category, including the classification of such assets as being depreciable, amortizable or resource properties giving rise to resource pools as reflected in the Returns of Pine Cliff, is true and correct in all material respects.
- (cc) Pine Cliff has not acquired property from a non-arm's length person, within the meaning of the Tax Act, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which would subject it to a liability under section 160 of the Tax Act or under any equivalent provisions of any applicable legislation.

- (dd) Pine Cliff has not made or filed any election under section 85 or any other section of the Tax Act under which liability for Taxes is deferred or any equivalent provincial provision.
- (ee) Pine Cliff has paid or provided adequate accruals in the Pine Cliff Financial Statements for the year ended December 31, 2011 and for the interim period ended June 30, 2012 for Government Charges, including income taxes and related future taxes, in conformity with GAAP. The liability for Government Charges under the Tax Act and other Applicable Laws has been assessed for all taxation years up to and including December 31, 2011.
- (ff) Pine Cliff has complied with all registration, reporting, collection and remittance requirements in respect of all federal and provincial sales tax legislation including but not limited to the *Excise Tax Act* (Canada). Pine Cliff has provided to Geomark all invoices, purchase orders, and all such other documents as are necessary to report any claim for income tax credits or refunds claimed or to be claimed pursuant to the *Excise Tax Act* (Canada).
- (gg) Pine Cliff has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Tax Act, all amounts required by Applicable Laws and will continue to do so until the Effective Time and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Pine Cliff has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health taxes and other Government Charges payable by it in respect of its employees and has or will have remitted such amounts to the proper Governmental Authority within the time required by applicable law. Pine Cliff has charged, collected and remitted on a timely basis all Government Charges as required by Applicable Laws on any sale, supply or delivery whatsoever, made by Pine Cliff.
- (hh) Pine Cliff has not carried on business outside the Province of Alberta other than discontinued operations in Argentina.
- (ii) Pine Cliff has not breached any flow-through share agreement to which it is or was a party in respect of the issuance of flow-through shares (as defined in the Tax Act) and, in particular, Pine Cliff does not have any outstanding obligations to incur and/or renounce Canadian exploration expenses or Canadian development expenses (as defined in the Tax Act) which it covenanted to incur and renounce nor has any Governmental Authority or Pine Cliff reduced pursuant to subsection 66(12.73) of the Tax Act any amount renounced by Pine Cliff.
- (jj) Pine Cliff has not made any payment, nor is obligated to make any payment, and is not a party to any agreement under which it could be obligated to make any payment that may not be deductible by virtue of section 67 or 78 of the Tax Act or any analogous provincial or similar provision.
- (kk) Records or documents that meet the requirements of subsections 247(4)(a) to (c) of the Tax Act have been made and obtained by Pine Cliff with respect to all material transactions between Pine Cliff and any non-resident person with whom Pine Cliff was not dealing at arm's length within the meaning of the Tax Act, during a taxation year commencing after 1998 and ending on or before the Effective Date.
- (ll) No director, officer, insider or other non-arm's length party to Pine Cliff or any of its Subsidiaries (or any associate or affiliate thereof) has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever which are based on production from or in respect of any properties of Pine Cliff.

- (mm) Other than as set forth in the Pine Cliff Disclosure Letter, no director, officer, insider or other non-arm's length party of Pine Cliff is indebted to Pine Cliff.
- (nn) Except for indemnity agreements with its directors and officers as contemplated by the by-laws of Pine Cliff and Applicable Laws, and other than standard indemnity agreements in financial services, underwriting and agency agreements and in the ordinary course provided to service providers, Pine Cliff is not a party to or bound by any agreement, guarantee, indemnification, or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person, firm or corporation.
- (oo) Any and all operations of Pine Cliff, and to the knowledge of Pine Cliff, any and all operations by third parties, on or in respect of the assets and properties of Pine Cliff, have been conducted in compliance with good oilfield practices.
- (pp) Although it does not warrant title, Pine Cliff does not have reason to believe that Pine Cliff does not have title to or the irrevocable right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the "**Pine Cliff Interests**") and does represent and warrant that, to the knowledge of Pine Cliff, the Pine Cliff Interests are free and clear of adverse claims created by, through or under Pine Cliff, except related to bank financing or otherwise disclosed in the Pine Cliff Disclosure Letter or those arising in the ordinary course of business, and, to the knowledge of Pine Cliff, Pine Cliff holds the Pine Cliff Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements, except where the failure to so hold the Pine Cliff Interests would not have a material adverse effect upon Pine Cliff.
- (qq) Pine Cliff is not aware of any defects, failures or impairments in the title of Pine Cliff to its oil and natural gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (i) the quantity and pre-tax present worth values of the oil and natural gas reserves of Pine Cliff shown in the Pine Cliff Reserves Reports; (ii) the current production of Pine Cliff; or (iii) the current cash flow of Pine Cliff.
- (rr) Pine Cliff has not received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument pertaining to its oil and natural gas assets to which it is a party or by or to which it or any such assets are bound or subject, except to the extent that such defaults would not in the aggregate have a material adverse effect on Pine Cliff.
- (ss) To the knowledge of Pine Cliff:
  - (i) Pine Cliff is in good standing under all, and is not in default under any; and
  - (ii) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents or any other agreements and instruments pertaining to its oil and natural gas assets to which it is a party or by or to which it or such assets are bound or subject and, to the knowledge of Pine Cliff, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements

and instruments is in default thereunder except to the extent that such defaults would not in the aggregate have a material adverse effect on Pine Cliff.

- (tt) To the knowledge of Pine Cliff, none of the oil and natural gas assets of Pine Cliff are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Pine Cliff, except to the extent that all such reductions or changes to an interest would not in the aggregate have a material adverse effect on Pine Cliff.
- (uu) To the knowledge of Pine Cliff, none of the wells in which Pine Cliff holds an interest has been produced in excess of applicable production allowables imposed by any Applicable Laws or any Governmental Authority and Pine Cliff does not have any knowledge of any impending change in production allowables imposed by any Applicable Laws or any Governmental Authority that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate except to the extent that such non-compliance or changes would not in the aggregate have a material adverse effect on Pine Cliff.
- (vv) Pine Cliff has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority and, to Pine Cliff's knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not have a material adverse effect on Pine Cliff.
- (ww) To the knowledge of Pine Cliff, all wells located on any lands in which Pine Cliff has an interest, or lands with which such lands have been pooled or unitized, which have been abandoned have been abandoned in accordance with all applicable statutes and regulations regarding the abandonment of wells.
- (xx) The tangible depreciable property used or intended for use in connection with the oil and natural gas assets of Pine Cliff:
  - (i) for which Pine Cliff was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and natural gas industry practices in Canada and all Applicable Laws during all periods in which Pine Cliff was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
  - (ii) for which Pine Cliff was not or is not operator, to the knowledge of Pine Cliff, was or has been constructed, operated and maintained in accordance with good and prudent oil and natural gas industry practices in Canada and all Applicable Laws during all periods in which Pine Cliff had an interest therein and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business,except to the extent that such non-compliance with prudent oil and natural gas industry practices or Applicable Laws would not in the aggregate have a material adverse effect on Pine Cliff.
- (yy) Pine Cliff has not, at the date of this Agreement: (i) received any advance payments for petroleum or services not already delivered or provided prior to receipt of payment; or (ii) any accrued "take-or-pay" or "send-or-pay" liabilities under any agreement.

- (zz) All fees in respect of seismic and well data (including those payable on a change of control or transfer) in respect of which Pine Cliff (or the relevant operator) has a licence, have been duly paid.
- (aaa) Pine Cliff has not entered into any material joint venture with a third party other than as set out in the Pine Cliff Disclosure Letter.
- (bbb) Except as disclosed to Geomark in the Pine Cliff Disclosure Letter, there are no outstanding authorizations for expenditure pertaining to any of the oil and natural gas assets of Pine Cliff or any other commitments, approvals or authorizations pursuant to which an expenditure may be required to be made in respect of such assets after the date of the most recent Pine Cliff Financial Statements in excess of \$100,000 for each such commitment, approval or authorization.
- (ccc) Except where the failure to do so would not individually or in the aggregate have a material adverse effect on Pine Cliff, Pine Cliff has: (i) withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Tax Act all amounts required by Applicable Laws and shall continue to do so until the Effective Date and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority; (ii) remitted all Canada Pension Plan contributions, unemployment insurance premiums, employer health taxes and other Taxes payable by it in respect of its employees and has or shall have remitted such amounts to the proper Governmental Authority within the time required by Applicable Law; and (iii) charged, collected and remitted on a timely basis all Taxes as required by Applicable Laws on any sale, supply or delivery whatsoever, made by Pine Cliff.
- (ddd) To the knowledge of Pine Cliff, all ad valorem, property, production, severance and similar Taxes and assessments based on or measured by the ownership of property or the production of its hydrocarbon substances, or the receipt of proceeds therefrom, payable in respect of its oil and natural gas assets prior to the date hereof have been properly and fully paid and discharged, and there are no unpaid Taxes or assessments which could result in a lien or charge on its oil and natural gas assets, except where the failure to do so would not individually or in the aggregate have a material adverse effect on Pine Cliff.
- (eee) Except as set out in the Pine Cliff Disclosure Letter, Pine Cliff is not a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, transfer or move any of its assets or operations, where such covenant would have a material adverse effect on the business of Pine Cliff.
- (fff) The Pine Cliff Disclosure Letter sets forth the policies of insurance in force at the date hereof naming Pine Cliff as an insured, such policies adequately cover all risks as are customarily covered by oil and gas producers in the industry in which Pine Cliff operates and such policies remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.
- (ggg) Except as set out in the Pine Cliff Financial Statements or in the Pine Cliff Disclosure Letter, Pine Cliff is not a party to or subject to any hedges, swaps or other financial instruments or like transactions.

- (hhh) To the knowledge of Pine Cliff, Pine Cliff has not withheld from Geomark any material information or documents concerning Pine Cliff or its assets or liabilities during the course of Geomark's review of Pine Cliff and its assets and liabilities.
- (iii) There are no agreements material to the conduct of Pine Cliff's affairs or business, except for those agreements entered into in the ordinary course of business or disclosed in the Pine Cliff Public Record, and all such material agreements are valid and subsisting and Pine Cliff is not in material default under any such agreements.
- (jjj) All Pine Cliff Information shall, as of the Mailing Date and as of the Effective Date, be true and complete in all material respects and shall not contain any misrepresentation or omit to state any material fact required to be stated.
- (kkk) Pine Cliff is a reporting issuer (where such concept exists) in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario and is in material compliance with all Applicable Laws therein. The Pine Cliff Shares are listed and posted for trading on the TSXV and Pine Cliff is in material compliance with the rules of the TSXV. The documents and information comprising the Pine Cliff Public Record did not at the respective times they were filed with the relevant Securities Authorities, contain any misrepresentation, unless such document or information was subsequently corrected or superseded in the Pine Cliff Public Record prior to the date hereof. Pine Cliff has timely filed with the Securities Authorities all material forms, reports, schedules, statements and other documents required to be filed by Pine Cliff with the Securities Authorities since becoming a "reporting issuer". Pine Cliff has not filed any confidential material change report that, at the date hereof, remains confidential. Neither Pine Cliff nor, to the knowledge of Pine Cliff, any of its directors or officers (in their capacities as directors and/or officers of Pine Cliff) are presently subject to continuous disclosure review or investigation by any Securities Authorities or the TSXV and, to the knowledge of Pine Cliff, no such review is pending or to the knowledge of Pine Cliff threatened.
- (lll) Pine Cliff is not registered or required to be registered as an "investment company" pursuant to the *United States Investment Company Act of 1940*, as amended.
- (mmm) Based on its current business plans and expectations, Pine Cliff does not believe that as of the end of its fiscal year ending December 31, 2012, it will be classified as a "passive foreign investment company" (as such term is defined in section 1297 of the United States Internal Revenue Code of 1986) in respect of its fiscal year ending December 31, 2012.
- (nnn) The Depositary, at its principal office in the City of Calgary is the duly appointed registrar and transfer agent for the Pine Cliff Shares.
- (ooo) Pine Cliff is not a party to or bound by any non-competition agreement or any other agreement or obligation which purports to limit the manner or the localities in which all or any material portion of the business of Pine Cliff is or is reasonably expected to be conducted.

#### **4.3 Privacy Issues**

- (a) For the purposes of this section 4.3, the following definitions shall apply:
  - (i) "**applicable law**" means, in relation to any person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives and orders of and the terms of all judgments, orders and decrees issued by any authorized authority by which

such person is bound or having application to the transaction or event in question, including applicable privacy laws;

- (ii) “**applicable privacy laws**” means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);
  - (iii) “**authorized authority**” means, in relation to any person, transaction or event, any (A) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (B) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (C) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (D) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such person, transaction or event; and
  - (iv) “**Personal Information**” means personal information about an identifiable individual (other than their business contact information when used or disclosed for the purpose of contacting such individual in relation to that individual’s business responsibilities and for no other purpose) transferred to one Party by another Party in accordance with this Agreement and/or as a condition of the Arrangement.
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of Personal Information acquired by or disclosed to either Party pursuant to or in connection with this Agreement (in this section 4.3, the “**Disclosed Personal Information**”).
  - (c) Neither Party shall use the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement.
  - (d) Each Party acknowledges and confirms that the disclosure of Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the disclosure of Personal Information relates solely to the carrying on of the business of the Parties and the completion of the Arrangement.
  - (e) Each Party acknowledges and confirms that it has and shall continue to employ appropriate technology and procedures in accordance with Applicable Laws to prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.
  - (f) Each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties’ obligations hereunder. Each Party shall ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the

respective Party who have a bona fide need to access to such information in order to complete the Arrangement.

- (g) Each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, and claims of which the Party is made aware in connection with the Disclosed Personal Information. The Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, and claims.
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the counterparty shall forthwith cease all use of the Personal Information acquired by the counterparty in connection with this Agreement and shall return to the Party or, at the Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies).

## **ARTICLE 5 CONDITIONS PRECEDENT**

### **5.1 Mutual Conditions Precedent**

The respective obligations of the Parties to consummate the transactions contemplated by this Agreement, and in particular the completion of the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual written consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to each of the Parties, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (b) the Circular shall be mailed to the Pine Cliff Shareholders and Geomark Shareholders and such other third parties as may be required in accordance with the Interim Order or Applicable Laws;
- (c) the Arrangement Resolution shall have been passed by the requisite number of votes cast by the Geomark Shareholders at the Geomark Meeting in accordance with the Interim Order and Applicable Laws;
- (d) the Issuance Resolution, in form and substance satisfactory to each of the Parties, acting reasonably, shall have been passed by the requisite number of votes cast by the Pine Cliff Shareholders;
- (e) the Final Order shall have been granted, in form and substance satisfactory to each of the Parties, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (f) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to each of the Parties, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order;
- (g) the Effective Date shall have occurred on or before October 31, 2012;

- (h) all required regulatory, governmental and third party approvals and consents necessary for the completion of the Arrangement shall have been obtained on terms and conditions satisfactory to the Parties, each acting reasonably;
- (i) the TSXV shall have approved, subject only to customary conditions, the issuance of all of the Pine Cliff Shares issuable pursuant to the Arrangement on terms and conditions satisfactory to the Parties, each acting reasonably;
- (j) no action shall have been taken under any existing Applicable Laws or regulation, nor any statute, rule, policy, regulation or order which is enacted, enforced, promulgated, issued or applied by any court, department, commission, board, regulatory body, government or Governmental Authority or similar agency, domestic or foreign, that:
  - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated by this Agreement; or
  - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated by this Agreement; and
- (k) this Agreement has not been terminated in accordance with section 8.1.

The foregoing conditions are for the mutual benefit of the Parties and may be asserted by either Party regardless of the circumstances and may be waived by either Party (with respect to such Party) in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which such Party may have.

## **5.2 Additional Conditions to Obligations of Pine Cliff**

The obligation of Pine Cliff to consummate the transactions contemplated by this Agreement, and in particular to complete the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties made by Geomark in this Agreement shall be true and correct in all material respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date) and Geomark shall have provided to Pine Cliff a certificate of two senior officers of Geomark satisfactory to Pine Cliff, acting reasonably, certifying as to such matters on behalf of Geomark on the Effective Date;
- (b) Geomark shall have complied in all material respects with its covenants in this Agreement and Geomark shall have provided to Pine Cliff a certificate of two senior officers of Geomark satisfactory to Pine Cliff, acting reasonably, certifying, on behalf of Geomark, as to such compliance and Pine Cliff shall have no actual knowledge to the contrary;
- (c) Geomark shall have furnished Pine Cliff with:
  - (i) certified copies of the resolutions duly passed by the Geomark Board (and any special committee thereof) approving this Agreement and the consummation of the transactions contemplated by this Agreement; and

- (ii) certified copies of the Arrangement Resolution;
- (d) no material adverse change respecting Geomark shall have occurred since the date of this Agreement;
- (e) no act, action, suit, proceeding, objection or opposition shall have been threatened against or affecting Geomark before or by any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been enacted, promulgated, amended or applied, which in the sole judgment of Pine Cliff, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a material adverse change respecting Geomark or would materially impede the ability of the Parties to complete the Arrangement;
- (f) Pine Cliff shall be reasonably satisfied that all of the outstanding Geomark Options shall have been exercised or terminated prior to the Effective Time in accordance with the Geomark Option Plan;
- (g) the management agreement between Geomark and Bonterra Energy Corp. dated July 6, 2010 shall have been terminated, without any further obligations of Geomark thereunder or otherwise in respect thereof in a manner satisfactory to Pine Cliff, acting reasonably;
- (h) none of the Geomark Support Agreements shall have been terminated other than in accordance with their terms, prior to the Geomark Meeting and each of the parties thereto (other than Pine Cliff) shall have satisfied, in full their respective obligations thereunder;
- (i) the Geomark Board shall not have: (i) amended its affirmative recommendation to the Geomark Shareholders in a manner adverse to Pine Cliff; or (ii) withdrawn its affirmative recommendation to the Geomark Shareholders in favour of the Arrangement Resolution;
- (j) Pine Cliff shall be satisfied that no material rights of first refusal on Geomark's lands are triggered as a result of the transactions contemplated by this Agreement; and
- (k) holders of not more than 5% of the issued and outstanding Geomark Shares shall have exercised Dissent Rights.

The conditions in this section 5.2 are for the exclusive benefit of Pine Cliff and may be asserted by Pine Cliff regardless of the circumstances or may be waived by Pine Cliff in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Pine Cliff may have.

### **5.3 Additional Conditions to Obligations of Geomark**

The obligation of Geomark to consummate the transactions contemplated by this Agreement, and in particular to complete the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties made by Pine Cliff in this Agreement shall be true and correct in all material respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true

and correct as of that date) and Pine Cliff shall have provided to Geomark a certificate of two senior officers of Pine Cliff satisfactory to Geomark, acting reasonably, certifying as to such matters on behalf of Pine Cliff on the Effective Date;

- (b) Pine Cliff shall have complied in all material respects with its covenants in this Agreement and shall have provided to Geomark a certificate of two senior officers of Pine Cliff satisfactory to Geomark, acting reasonably, certifying, on behalf of Pine Cliff, as to such compliance and Geomark shall have no actual knowledge to the contrary;
- (c) Pine Cliff shall have furnished Geomark with:
  - (i) certified copies of the resolutions duly passed by the Pine Cliff Board (and any special committee thereof) approving this Agreement and the consummation of the transactions contemplated by this Agreement; and
  - (ii) certified copies of the Issuance Resolution;
- (d) no material adverse change respecting Pine Cliff shall have occurred since the date of this Agreement;
- (e) no act, action, suit, proceeding, objection or opposition shall have been threatened against or affecting Pine Cliff before or by any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been enacted, promulgated, amended or applied, which in the sole judgment of Geomark, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a material adverse change respecting Pine Cliff or would materially impede the ability of the Parties to complete the Arrangement;
- (f) none of the Pine Cliff Support Agreements shall have been terminated other than in accordance with their terms, prior to the Pine Cliff Meeting and each of the parties thereto (other than Geomark) shall have satisfied, in full their respective obligations thereunder; and
- (g) the Pine Cliff Board shall not have: (i) amended its affirmative recommendation to the Pine Cliff Shareholders in a manner adverse to Geomark; or (ii) withdrawn its affirmative recommendation to the Pine Cliff Shareholders in favour of the Issuance Resolution.

The conditions in this section 5.3 are for the exclusive benefit of Geomark and may be asserted by Geomark regardless of the circumstances or may be waived by Geomark in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Geomark may have.

#### **5.4 Notice and Effect of Failure to Comply with Conditions**

- (a) Each Party shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification shall affect the

representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

- (b) If any of the conditions precedents set forth in sections 5.1, 5.2 or 5.3 hereof will not be complied with or waived by the Party for whose benefit such conditions are provided on or before the date required for the performance thereof, then a Party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement as provided for in section 8.1 hereof provided that, prior to the filing of the Articles of Arrangement, the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent and shall provide in such notice that the other Party shall be entitled to cure any breach of a covenant or representation and warranty or other matters within five (5) Business Days after receipt of such notice (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond October 31, 2012). More than one such notice may be delivered by a Party.

## **5.5 Satisfaction of Conditions**

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

## **ARTICLE 6 AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS**

### **6.1 Geomark Damages**

If at any time after the execution of this Agreement:

- (a) other than as a direct result of and in response to a material breach or non-performance of Geomark of any of its covenants, agreements, representations and warranties in this Agreement, the Pine Cliff Board: (A) fails to make any of the recommendations or determinations referred to in section 2.6 in a manner adverse to Geomark; (B) withdraws, modifies or changes any of the recommendations or determinations referred to in section 2.6 in a manner adverse to Geomark; (C) fails to publicly reaffirm any of its recommendations or determinations referred to in section 2.6 in accordance with subsection 3.4(e) or within three (3) Business Days of any written request to do so by Geomark (or, in the event that the Pine Cliff Meeting to approve the Arrangement is scheduled to occur within such three (3) Business Day period, prior to the scheduled date of such meeting); or (D) resolves to do any of the foregoing;
- (b) a bona fide Acquisition Proposal (or a bona fide intention to make one) is announced, proposed, offered or made to Pine Cliff or the Pine Cliff Shareholders prior to the date of the Pine Cliff Meeting and remains outstanding at the time of the Pine Cliff Meeting and the Pine Cliff Shareholders do not approve the Issuance Resolution or the Issuance Resolution is not submitted for their approval and such Acquisition Proposal, as originally proposed or amended (or any other Acquisition Proposal that is announced, proposed, offered or made to Pine Cliff or the Pine Cliff Shareholders prior to the expiry of the first Acquisition Proposal) is completed within twelve (12) months of the date such Acquisition Proposal is announced, proposed, offered or made;

- (c) a bona fide Acquisition Proposal (or a bona fide intention to make one) is announced, proposed, offered or made to Pine Cliff or the Pine Cliff Shareholders and the Pine Cliff Board fails to reaffirm and maintain its recommendation of the Arrangement within ten (10) days of such announcement, proposal or offer;
- (d) Pine Cliff accepts, recommends, approves or enters into or publicly proposes to accept, recommend or approve an agreement to implement a Superior Proposal subject to compliance with section 3.4;
- (e) the Pine Cliff Board recommends that the Pine Cliff Shareholders deposit their shares under, vote in favour of, or otherwise accept an Acquisition Proposal;
- (f) the Issuance Resolution is not submitted to the Pine Cliff Shareholders for their approval; or
- (g) Pine Cliff breaches any of its representations, warranties or covenants (other than a covenant in section 3.4) made in this Agreement, which breach, individually or in the aggregate, causes or would reasonably be expected to cause a material adverse change respecting Pine Cliff or materially impedes the completion of the Arrangement, provided that Pine Cliff shall have been given written notice of and five (5) Business Days to cure any such breach by Pine Cliff and such breach shall not have been cured (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond October 31, 2012),

(each of the above being a “**Geomark Damages Event**”), then in the event of the termination of this Agreement pursuant to subsections 8.1(d) or 8.1(f) and provided that no event in the nature set out in section 6.2 as occurred, Pine Cliff shall pay to Geomark \$1,500,000 as liquidated damages in immediately available funds to an account designated by Geomark within two (2) Business Days after the first to occur of the events described above, and after such event, but prior to payment of such amount, Pine Cliff shall be deemed to hold such funds in trust for Geomark. Pine Cliff shall only be obligated to pay a maximum of \$1,500,000 pursuant to this section 6.1.

## **6.2 Pine Cliff Damages**

If at any time after the execution of this Agreement:

- (a) other than as a direct result of and in response to a material breach or non-performance of Pine Cliff of any of its covenants, agreements, representations and warranties in this Agreement, the Geomark Board: (A) fails to make any of the recommendations or determinations referred to in section 2.5 in a manner adverse to Pine Cliff; (B) withdraws, modifies or changes any of the recommendations or determinations referred to in section 2.5 in a manner adverse to Pine Cliff; (C) fails to publicly reaffirm any of its recommendations or determinations referred to in section 2.5 in accordance with subsection 3.4(e) or within three (3) Business Days of any written request to do so by Pine Cliff (or, in the event that the Geomark Meeting to approve the Arrangement is scheduled to occur within such three (3) Business Day period, prior to the scheduled date of such meeting); or (D) resolves to do any of the foregoing;
- (b) a bona fide Acquisition Proposal (or a bona fide intention to make one) is announced, proposed, offered or made to Geomark or the Geomark Shareholders prior to the date of the Geomark Meeting and remains outstanding at the time of the Geomark Meeting and the Geomark Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval and such Acquisition Proposal, as originally proposed or amended (or any other

Acquisition Proposal that is announced, proposed, offered or made to Geomark or the Geomark Shareholders prior to the expiry of the first Acquisition Proposal) is completed within twelve (12) months of the date such Acquisition Proposal is announced, proposed, offered or made;

- (c) a bona fide Acquisition Proposal (or a bona fide intention to make one) is announced, proposed, offered or made to Geomark or the Geomark Shareholders and the Geomark Board fails to reaffirm and maintain its recommendation of the Arrangement within ten (10) days of such announcement, proposal or offer;
- (d) Geomark accepts, recommends, approves or enters into or publicly proposes to accept, recommend or approve an agreement to implement a Superior Proposal subject to compliance with section 3.4;
- (e) the Geomark Board recommends that the Geomark Shareholders deposit their shares under, vote in favour of, or otherwise accept an Acquisition Proposal;
- (f) the Arrangement Resolution is not submitted to the Geomark Shareholders for their approval; or
- (g) Geomark breaches any of its representations, warranties or covenants (other than a covenant in section 3.4) made in this Agreement, which breach, individually or in the aggregate, causes or would reasonably be expected to cause a material adverse change respecting Geomark or materially impedes the completion of the Arrangement, provided that Geomark shall have been given written notice of and five (5) Business Days to cure any such breach by Pine Cliff and such breach shall not have been cured (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond October 31, 2012),

(each of the above being a “**Pine Cliff Damages Event**”), then in the event of the termination of this Agreement pursuant to subsections 8.1(c) or 8.1(e) and provided that no event in the nature set out in section 6.1 has occurred, Geomark shall pay to Pine Cliff \$3,000,000 as liquidated damages in immediately available funds to an account designated by Pine Cliff within two (2) Business Days after the first to occur of the events described above, and after such event, but prior to payment of such amount, Geomark shall be deemed to hold such funds in trust for Pine Cliff. Geomark shall only be obligated to pay a maximum of \$3,000,000 pursuant to this section 6.2.

### **6.3 Liquidated Damages**

Each of the Parties acknowledges that the payment of the amounts set out in sections 6.1 or 6.2 is a payment of liquidated damages which are a genuine pre-estimate of the damages which the Parties, as applicable, shall suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement and is not a penalty. The Parties each irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that payment of the amount pursuant to section 6.1 or 6.2, as applicable, is the sole monetary remedy of the Parties, as applicable, in respect of the event giving rise to such payment. Nothing herein shall preclude the Parties from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or the Confidentiality Agreement or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

## **ARTICLE 7 AMENDMENT**

### **7.1 Amendment**

This Agreement may at any time and from time to time before or after the holding of the Geomark Meeting be amended by written agreement of the Parties without, subject to Applicable Laws, further notice to or authorization on the part of the Geomark Shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein,

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Geomark Shareholder without approval by the Geomark Shareholders given in the same manner as required for the approval of the Arrangement or as the Court may otherwise order.

## **ARTICLE 8 TERMINATION**

### **8.1 Termination**

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of the Parties;
- (b) by either Party as provided in subsection 5.4(b), provided that the failure to satisfy the particular condition precedent being relied upon did not occur as a result of a breach by the Party seeking to rely on the condition precedent of any of its covenants or obligations under the Agreement;
- (c) by Pine Cliff upon the occurrence of a Pine Cliff Damages Event as provided in section 6.2;
- (d) by Geomark upon the occurrence of a Geomark Damages Event as provided in section 6.1;
- (e) by Pine Cliff upon the occurrence of a Geomark Damages Event and, provided that Geomark has complied with its obligations set forth in section 3.4, the payment by Pine Cliff to Geomark of the amount required by section 6.1; or
- (f) by Geomark upon the occurrence of a Pine Cliff Damages Event and, provided that Pine Cliff has complied with its obligations set forth in section 3.4, the payment by Geomark to Pine Cliff of the amount required by section 6.2.

In the event of the termination of this Agreement in the circumstances set out in paragraphs (a) through (f) of this section 8.1, this Agreement shall forthwith become void and no Party shall have any liability or further obligation to the other hereunder except with respect to the obligations set forth in or as otherwise

specified in Article 6 and each Party's obligations under the Confidentiality Agreement, which shall survive such termination.

Unless otherwise provided herein, the exercise by either Party of any right of termination hereunder shall be without prejudice to any other remedy available to such Party and for greater certainty nothing in this section 8.1 shall relieve any Party from liability for any breach by it of this Agreement that occurred prior to the date of termination.

## **ARTICLE 9 NOTICES**

### **9.1 Notices**

All notices which may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally or sent by facsimile or email transmission and in the case of:

- (a) Pine Cliff, addressed to:

Pine Cliff Energy Ltd.  
Suite 901, 1015-4<sup>th</sup> Street S.W.  
Calgary, Alberta, T2R 1J4

Attention: Philip B. Hodge, President and Chief Executive Officer  
Facsimile: (403) 265-7488  
E-mail: phodge@pinecliffenergy.com

with a copy to:

Bennett Jones LLP  
4500 Bankers Hall East  
855-2<sup>nd</sup> Street S.W.  
Calgary, Alberta T2P 4K7

Attention: John Piasta  
Facsimile: (403) 265-7219  
E-mail: piastaj@bennettjones.com

- (b) Geomark, addressed to:

Geomark Exploration Ltd.  
Suite 901, 1015-4<sup>th</sup> Street S.W.  
Calgary, Alberta, T2R 1J4

Attention: George F. Fink, Chairman of the Board  
Facsimile: (403) 232-1421  
E-mail: gfink@bonterraenergy.com

with a copy to:

Borden Ladner Gervais LLP  
Suite 1900, 520 – 3rd Avenue S.W.  
Calgary, Alberta T2P 0R3

Attention: Bruce Lawrence  
Facsimile: (403) 266-1395  
E-mail: blawrence@blg.com

or such other address as the Parties may, from time to time, advise to the other Party hereto by notice in writing. The date or time of receipt of any such notice shall be deemed to be the date of delivery or the time such facsimile or email transmission is received.

## **ARTICLE 10 GENERAL**

### **10.1 Assignment and Enurement**

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and assigns. This Agreement may not be assigned by Geomark without the prior consent of Pine Cliff. This Agreement may not be assigned by Pine Cliff without the prior consent of Geomark.

### **10.2 Disclosure**

Each Party shall receive the prior consent, not to be unreasonably withheld, of the other Party prior to issuing or permitting any director, officer, employee or agent to issue any press release or other written statement with respect to this Agreement or the transactions contemplated by this Agreement. Notwithstanding the foregoing, if either Party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated by this Agreement, such disclosure may be made, but that Party shall provide the other Party and its counsel with the reasonable opportunity to review and comment upon the wording of such disclosure prior to it being made.

### **10.3 Costs**

Except as contemplated herein, each Party covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated by this Agreement.

### **10.4 Severability**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof will not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

## **10.5 Further Assurances**

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

## **10.6 Third Party Beneficiaries**

The provisions of section 2.13 are:

- (a) intended for the benefit of all present and former directors and officers of Geomark and its predecessors, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the “**Third Party Beneficiaries**”); and Geomark shall hold the rights and benefits of section 2.13 in trust for and on behalf of the Third Party Beneficiaries and Geomark hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and
- (b) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

## **10.7 Time of Essence**

Time shall be of the essence of this Agreement.

## **10.8 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and the Parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

## **10.9 Waiver**

No waiver by a Party shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

## **10.10 Counterparts**

This Agreement may be executed in counterparts and by facsimile or portable document format (PDF), each of which shall be deemed an original, and all of which together constitute one and the same instrument.

## **10.11 Survival**

The representations and warranties contained herein shall terminate on, and may not be relied upon, by either Party after the Effective Time.

**[The remainder of this page has intentionally been left blank]**

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

**GEOMARK EXPLORATION LTD.**

Per: “George F. Fink”  
**George F. Fink**  
Chief Executive Officer and Chairman of the  
Board

**PINE CLIFF ENERGY LTD.**

Per: “Philip B. Hodge”  
**Philip B. Hodge**  
President and Chief Executive Officer

**SCHEDULE "A"**

**PLAN OF ARRANGEMENT**

**Plan of Arrangement under Section 193  
of the  
Business Corporations Act (Alberta)**

**ARTICLE 1  
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) “**ABCA**” means the *Business Corporations Act* (Alberta) R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) “**Amalco**” means the means the corporation resulting from the amalgamation of Pine Cliff and Geomark pursuant to subsection 3.1(d) hereof;
- (c) “**Amalco Shares**” means the common shares in the capital of Amalco;
- (d) “**Amalgamation**” has the meaning ascribed thereto in section 3.1(d) hereof;
- (e) “**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the arrangement pursuant to section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (f) “**Arrangement Agreement**” means the arrangement agreement dated September 6, 2012 between Pine Cliff and Geomark with respect to the Arrangement and all amendments thereto;
- (g) “**Arrangement Resolution**” means the special resolution in respect of the Arrangement to be considered by Geomark Shareholders at the Meeting;
- (h) “**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement;
- (i) “**Business Day**” means with respect to any action to be taken, any day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta, are not generally open for business;
- (j) “**Certificate**” means the certificate which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA or , if no certificate is to be issued, the proof of filing in respect of the Arrangement;
- (k) “**Court**” means the Court of Queen’s Bench of Alberta;
- (l) “**Depository**” means Olympia Trust Company or such other Person as may be appointed by and at the expense of Pine Cliff for the purpose of receiving deposits of certificates formerly representing Geomark Shares;
- (m) “**Dissent Rights**” means the right of a Geomark Shareholder pursuant to the Interim Order to dissent to the Arrangement Resolution and to be paid the fair value of the securities in respect of which the holder dissents, all in accordance with section 191 of the ABCA and the Interim Order;

- (n) **“Dissenting Shareholders”** means registered Geomark Shareholders who validly exercise the rights of dissent provided to them under the Interim Order in respect of Geomark Shares;
- (a) **“Effective Date”** means the date on which the Articles of Arrangement and this Plan of Arrangement are filed with the Registrar and the Arrangement becomes effective under the ABCA;
- (b) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (o) **“Final Order”** means the order of the Court approving the Arrangement pursuant to subsection 193(9)(a) of the ABCA, in respect Geomark, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (p) **“Geomark”** means Geomark Exploration Ltd., a corporation incorporated under the ABCA;
- (q) **“Geomark Shareholders”** means the holders from time to time of Geomark Shares;
- (r) **“Geomark Shares”** means the common shares in the capital of Geomark;
- (s) **“Holder”** means a registered holder of Geomark Shares immediately prior to the Effective Date or any Person who surrenders to the Depository certificates representing Geomark Shares duly endorsed for transfer to such Person in accordance with the provision set forth in the Letter of Transmittal;
- (t) **“Information Circular”** means the joint management proxy circular to be sent by Geomark to the Geomark Shareholders in connection with the Meeting and to be sent to the holders of Pine Cliff Shares in connection with the meeting of the holders of Pine Cliff Shares;
- (u) **“Interim Order”** means the interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA in respect of Geomark, containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (v) **“Letter of Transmittal”** means the letter of transmittal accompanying the Information Circular sent to the holders of Geomark Shares pursuant to which holders of Geomark Shares are required to deliver certificates representing Geomark Shares in order to receive the consideration payable to them pursuant to the Arrangement;
- (w) **“Meeting”** means the special meeting of holders of Geomark Shares to consider the Arrangement Resolution and related matters, and any adjournment thereof;
- (x) **“Person”** has the meaning ascribed thereto in the ABCA;
- (y) **“Pine Cliff”** means Pine Cliff Energy Ltd., a corporation incorporated under the ABCA;
- (z) **“Pine Cliff Shares”** means the common shares in the capital of Pine Cliff;
- (aa) **“Registrar”** means the Registrar of Corporations for the Province of Alberta appointed under section 263 of the ABCA;
- (bb) **“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, all as amended from time to time; and

- (cc) “**TSXV**” means the TSX Venture Exchange.
- 1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing Persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.
- 1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.
- 1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, will become effective on, and be binding on and after, the Effective Time on: (i) the holders of Geomark Shares; (ii) Pine Cliff; (iii) Geomark; and (iv) Amalco.
- 2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein. If no Certificate is required to be issued by the Registrar pursuant to subsection 193(11) of the ABCA, the Arrangement shall become effective on the date the Articles of Arrangement are sent to the Registrar pursuant to subsection 193(10) of the ABCA.

## **ARTICLE 3 ARRANGEMENT**

- 3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein, and with each event or transaction occurring and being deemed to occur immediately after the occurrence of the immediately preceding event or transaction:
- (a) the Geomark Shares held by Dissenting Shareholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Pine Cliff (free of any claims), and as of the Effective Time, such

Dissenting Shareholders shall cease to have any rights as shareholders of Geomark other than the right to be paid the fair value of their Geomark Shares in accordance with Article 4; and

- (b) each issued and outstanding Geomark Share (other than those held by Dissenting Shareholders) shall be, and shall be deemed to be, sold, assigned and transferred to Pine Cliff (free of any claims) and, subject to sections 5.5 and 6.1 each Geomark Shareholder thereof shall be entitled to receive from Pine Cliff in exchange for and as the sole consideration for, each such Geomark Share, 1.5 Pine Cliff Shares; and
- (c) with respect to each Holder (other than a Dissenting Shareholder) at the Effective Time, upon the exchange of Geomark Shares for Pine Cliff Shares pursuant to subsection 3.1(b):
  - (i) such former Holder shall be added to the register of holders of Pine Cliff Shares;
  - (ii) such Holder shall cease to be a holder of the Geomark Shares so exchanged and the name of such Holder shall be removed from the register of holders of Geomark Shares as it relates to the Geomark Shares so exchanged;
  - (iii) Pine Cliff shall become the holder of the Geomark Shares so exchanged and shall be added to the register of holders of Geomark Shares; and
  - (iv) the amount added to stated capital in respect of the issued Pine Cliff Shares shall not be greater than the paid-up capital of the exchanged Geomark Shares; and
- (d) Geomark and Pine Cliff shall be amalgamated and continued as one corporation under the ABCA to form Amalco in accordance with the following (the “**Amalgamation**”):
  - (i) **Geomark Stated Capital.** The stated capital of all of the shares of any class of Geomark shall be reduced to \$1.00 in the aggregate, without any repayment of capital, immediately prior to the Amalgamation.
  - (ii) **Name.** The name of Amalco shall be such name as determined by the directors of Pine Cliff;
  - (iii) **Registered Office.** The registered office of Amalco shall be the registered office of Pine Cliff;
  - (iv) **Share Provisions.** Amalco shall be authorized to issue an unlimited number of common shares and preferred shares;
  - (v) **Restrictions on Transfer.** There shall be no restrictions on transfers of securities;
  - (vi) **Other Provisions.** The other provisions forming part of the Articles of Amalco shall be those of Pine Cliff, mutatis mutandis;
  - (vii) **Directors and Officers.**
    - (A) **Minimum and Maximum.** The directors of Amalco shall, until otherwise changed in accordance with the ABCA, consist of a minimum number of three director and a maximum number of eleven directors;

- (B) **Initial Directors.** The number of directors on the board of directors shall initially be set at six and the initial directors of Amalco shall be the same as the directors of Pine Cliff; and
  - (C) **Initial Officers.** The initial officers of Amalco shall be the same as the officers of Pine Cliff;
- (viii) **Business and Powers.** There shall be no restrictions on the business Amalco may carry on or on the powers it may exercise;
- (ix) **Stated Capital.** The aggregate stated capital of Amalco will be an amount equal to the paid-up capital for the purposes of the Tax Act of the Pine Cliff Shares immediately before the Amalgamation;
- (x) **By-laws.** The by-laws of Amalco shall be the by-laws of Pine Cliff, mutatis mutandis;
- (xi) **Effect of Amalgamation.** The provisions of subsections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the Amalgamation with the result that:
  - (A) all of the property of each of Geomark and Pine Cliff shall continue to be the property of Amalco;
  - (B) Amalco shall continue to be liable for all of the obligations of each of Geomark and Pine Cliff;
  - (C) any existing cause of action, claim or liability to prosecution of Geomark or Pine Cliff shall be unaffected;
  - (D) any civil, criminal or administrative action or proceeding pending by or against Geomark or Pine Cliff may be continued to be prosecuted by or against Amalco; and
  - (E) a conviction against, or ruling, order or judgment in favour of or against, Geomark or Pine Cliff may be enforced by or against Amalco;
- (xii) **Articles.** The Articles of Arrangement filed shall be deemed to be the articles of amalgamation of Amalco and the Certificate issued in respect of such Articles of Arrangement by the Registrar under the ABCA which gives effect to the Arrangement shall be deemed to be the certificate of amalgamation of Amalco;
- (xiii) **Inconsistency with Laws.** To the extent any of the provisions of this Plan of Arrangement is deemed to be inconsistent with applicable laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency; and
- (xiv) **Amalco Securities.** On the Amalgamation:
  - (A) each issued and outstanding Geomark Share shall be cancelled without repayment of capital in respect of those shares;
  - (B) no securities will be issued by Amalco in connection with the Amalgamation; and

- (C) for grater certainty the issued and outstanding Pine Cliff Shares will become the issued and outstanding Amalco Shares and the Amalco Shares will continue to be listed on the TSXV (subject to standard listing conditions imposed by the TSXV in similar circumstances); and
- (e) Pine Cliff, Geomark and Amalco shall make the appropriate entries in their respective securities registers to reflect the matters referred to in section 3.1.

#### **ARTICLE 4 DISSENTING SHAREHOLDERS**

- 4.1 Each registered holder of Geomark Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Shareholder shall, at the Effective Time, cease to have any rights as a holder of Geomark Shares and shall only be entitled to be paid the fair value of the Dissenting Shareholder's Geomark Shares by Amalco. A Dissenting Shareholder who is paid the fair value of the Dissenting Shareholder's Geomark Shares shall be deemed to have transferred the Dissenting Shareholder's Geomark Shares to Pine Cliff at the Effective Time, notwithstanding the provisions of section 191 of the ABCA. A Dissenting Shareholder who for any reason is not entitled to be paid the fair value of the Dissenting Shareholder's Geomark Shares shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Geomark Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the holders of Geomark Shares at the Meeting; but in no event shall Amalco be required to recognize such Dissenting Shareholder as a shareholder of Amalco after the Effective Time and the name of such holder shall be removed from the applicable register as at the Effective Time. For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no Person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

#### **ARTICLE 5 OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES**

- 5.1 From and after the Effective Time, certificates formerly representing Geomark Shares under the Arrangement shall represent only the right to receive the consideration to which the Holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to section 4.2, to receive the fair value of the Geomark Shares represented by such certificates.
- 5.2 Amalco shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Holder of a duly completed Letter of Transmittal and the certificates representing such Geomark Shares, either:
- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former Holder at the address specified in the Letter of Transmittal; or
  - (b) if requested by such Holder in the Letter of Transmittal, make available or cause to be made available at the Depository for pickup by such Holder, certificates representing the number of Amalco Shares, issued to such Holder under the Arrangement.
- 5.3 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Geomark Shares that were exchanged pursuant to section 3.1 has been lost, stolen or

destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Amalco and its transfer agent, which bond is in form and substance satisfactory to Amalco and its transfer agent, or shall otherwise indemnify Amalco and its transfer agent (in such form and substance satisfactory to each such party) against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

- 5.4 All dividends or other distributions made with respect to any Amalco Shares allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. Subject to section 5.5, the Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions to which such holder, is entitled, net of applicable withholding and other taxes.
- 5.5 Any certificate formerly representing Geomark Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the fifth anniversary of the Effective Date, or such shorter period required under any Applicable Law, shall cease to represent a right or claim of any kind or nature including the right of the Holder of such shares to receive Amalco Shares (and any dividends or other distributions thereon). In such case, such Amalco Shares shall be returned to Amalco for cancellation and any dividends or other distributions in respect of Amalco Shares shall be returned to Amalco.
- 5.6 No certificates representing fractional Amalco Shares shall be issued under this Arrangement. In lieu of any fractional Amalco Share, each previous Holder of Geomark Shares otherwise entitled to a fractional interest in a Amalco Share will receive the nearest whole number of Amalco Shares (with fractions equal to exactly 0.5 being rounded up).

## **ARTICLE 6 WITHHOLDINGS**

- 6.1 Pine Cliff and Amalco shall be entitled to deduct and withhold from any consideration otherwise payable to any Geomark Shareholder and, for greater certainty, from any amount payable to a Geomark Shareholder exercising Dissent Rights, as the case may be, under this Plan of Arrangement such amounts as Pine Cliff and Amalco are required to deduct and withhold from such consideration in accordance with applicable tax laws and administrative policy of the Canada Revenue Agency. Any such amounts will be deducted and withheld from the consideration payable pursuant to this Plan of Arrangement and shall be treated for all purposes as having been paid to the Geomark Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. In connection with any amount required to be withheld pursuant to this Plan of Arrangement, Pine Cliff and Amalco may direct the Depositary to withhold such number of Pine Cliff Shares and Amalco Shares that may otherwise be paid to such Geomark Shareholder under this Plan of Arrangement and to sell such shares on the TSXV for cash proceeds to be used for such withholdings.

**ARTICLE 7  
AMENDMENTS**

- 7.1 Pine Cliff and Geomark may amend this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (a) set out in writing; (b) approved by both parties; (c) filed with the Court and, if made following the Meeting, approved by the Court; and (d) communicated to holders of Geomark Shares, if and as required by the Court.
- 7.2 Any amendment to this Plan of Arrangement may be proposed by Pine Cliff or Geomark at any time prior to or at the Meeting (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 7.3 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by Pine Cliff, and provided further that it concerns a matter which, in the reasonable opinion of Pine Cliff, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any former holder of Geomark Shares.

**ARTICLE 8  
FURTHER ASSURANCES**

- 8.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein. Pine Cliff and Geomark may agree not to implement this Plan of Arrangement, notwithstanding the passing of the Arrangement Resolution and receipt of the Final Order.

**SCHEDULE "B"**

**FORM OF GEOMARK SUPPORT AGREEMENT**

## SUPPORT AGREEMENT

September \_\_, 2012

TO: THE UNDERSIGNED SHAREHOLDER OF GEOMARK EXPLORATION LTD.

Dear Sir:

**Re: Proposed Business Combination of PINE CLIFF ENERGY LTD. ("Pine Cliff") and  
GEOMARK EXPLORATION LTD. ("Geomark")**

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Reference is made to the Arrangement Agreement, dated as of the date hereof, between Geomark and Pine Cliff (the "**Arrangement Agreement**") relating to the proposed business combination whereby Pine Cliff will acquire all of the issued and outstanding common shares (the "**Geomark Shares**") in the capital of Geomark (the "**Arrangement**"). Completion of the Arrangement is subject to, among other things, the shareholders of Geomark ("**Geomark Shareholders**") passing a resolution approving the Arrangement at the Geomark Meeting.

All capitalized terms and phrases used in this Support Agreement, but not defined herein, shall have the respective meanings ascribed to them in the Arrangement Agreement.

The purpose of this Support Agreement is to confirm the commitment of the undersigned shareholder of Geomark (the "**Shareholder**") to, subject to the terms of this Support Agreement, vote or cause to be voted, at the Geomark Meeting, all Geomark Shares registered in the name of the Shareholder or beneficially owned by the Shareholder, directly or indirectly, or over which the Shareholder exercises control or direction and any Geomark Shares acquired by the Shareholder directly or indirectly, or over which the Shareholder obtains control or direction after the date hereof (including, if applicable, pursuant to the exercise of any Geomark Options) (collectively, and including any Geomark Shares held by the Shareholder under the terms of a Discretionary Account (as defined herein), the "**Subject Securities**"), in favour of the Arrangement Resolution and to otherwise support the Arrangement on the terms and subject to satisfaction of the conditions set out in this Support Agreement.

### **1. Covenants of the Shareholder**

For good and valuable consideration (the receipt and sufficiency of which is acknowledged), and subject to the terms hereof, the Shareholder hereby covenants and agrees that, unless this Support Agreement is terminated in accordance with Section 6 below, the Shareholder shall:

- (a) vote or cause to be voted all Subject Securities:
  - (i) in favour of the Arrangement Resolution and all ancillary resolutions approving the Arrangement (if any and including, without limitation, any matters that are necessary or desirable to complete the Arrangement) that are considered by the Geomark Shareholders at the Geomark Meeting; and
  - (ii) against or otherwise in opposition to any resolution in respect of any other transaction involving Geomark or any other proposed action by any person that, if undertaken or completed, would reasonably be expected to adversely impede, prevent, hinder, delay or challenge the successful completion of the Arrangement or reduce the likelihood of the Arrangement Resolution being approved;

and in that regard, the Shareholder shall provide evidence thereof to Pine Cliff not later than five (5) Business Days prior to the date of the Geomark Meeting; *provided that* notwithstanding the foregoing, the aforementioned provisions of this subsection 1(a) shall not be applicable in the event that the Shareholder receives duly authorized instructions from the beneficial holder of Subject Securities (the "**Beneficial Holder**") controlled by the Shareholder pursuant to the terms of a discretionary account pursuant to which such beneficial holder has the power and authority to direct that the Geomark Shares held thereunder (a "**Discretionary Account**") not be voted or caused to be voted in accordance with this Support Agreement;

- (b) other than in accordance with the duly authorized instructions of the Beneficial Holder pursuant to the terms of a Discretionary Account, not exercise any Dissent Rights (if applicable) or similar rights or remedies available to the Shareholder in respect of the Arrangement Resolution, whether arising under statute, at common law or otherwise, to adversely impede, prevent, hinder, affect, delay, upset or challenge the Arrangement;
- (c) except to the extent permitted under this Support Agreement, not take any action of any kind which would cause any of the Shareholder's representations or warranties in this Support Agreement to become untrue or which may in any way adversely affect the success of the Arrangement or the completion of the Arrangement;
- (d) not sell, assign, transfer, convey or otherwise dispose of, or enter into any agreement or understanding relating to the sale, assignment, transfer, conveyance or other disposition of, any Subject Securities, and not transfer any voting rights attached thereto, other than: (i) to grant a proxy instructing a proxyholder to vote the Subject Securities as provided in subsection 1(a) above; (ii) to an associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)), provided such associate or affiliate first agrees to be bound by the terms hereof; (iii) to a self-directed registered retirement savings account; (iv) to any other Person with the prior consent of Pine Cliff (which consent may not be unreasonably withheld); or (v) in accordance with the duly authorized instructions of the Beneficial Holder provided that, pursuant to the terms of the Discretionary Account, the Beneficial Holder has the power and authority to cause the Shareholder to sell, assign, transfer, convey or otherwise dispose of, any of the Subject Securities;
- (e) except to the extent permitted under this Support Agreement, and subject to the obligations of the Shareholder to any Beneficial Holder under any contract or common law to act in the Beneficial Holder's best interest or pursuant to subsection 1(d)(v), not take any action, directly or indirectly, which may reasonably be expected to adversely impede, prevent, affect, delay, hinder, upset or challenge the successful completion of the Arrangement, including, without limitation, taking any action or failing to take any action, which may reasonably be considered to, directly or indirectly, result in the Shareholder receiving a direction from the Beneficial Holder to: (i) not vote or caused to be voted any of the Subject Securities in accordance with subsection 1(a); sell, assign, transfer, convey or otherwise dispose of, or transfer the voting rights in respect of, any of the Subject Securities;
- (f) if the Shareholder is a director or officer of Geomark, as applicable, use its best efforts to cause Geomark to perform its obligations under the Arrangement Agreement, to the extent such is within the Shareholder's power and subject to Section 4 hereof; and

- (g) promptly notify Pine Cliff upon any of the Shareholder's representations or warranties contained in this Support Agreement becoming untrue or incorrect in any material respect prior to the Effective Time, and for the purposes of this provision, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date hereof)

## **2. Representations and Warranties of the Shareholder**

The Shareholder hereby represents and warrants to Pine Cliff, as of the date of this Support Agreement and on the Effective Date, that:

- (a) at the date hereof, the Shareholder is the registered owner of or beneficially owns or exercises control or direction over the Subject Securities noted under the Shareholder's signature below;
- (b) if the Shareholder is not a natural person, the Shareholder has good and sufficient power and capacity to enter into this Support Agreement and to perform its obligations hereunder;
- (c) this Support Agreement has been duly executed and delivered by the Shareholder and constitutes a valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to principles of equity;
- (d) neither the entering into of this Support Agreement nor the performance by the Shareholder of his/its obligations hereunder will violate or constitute a breach of, or default under, any agreement, commitment, arrangement, understanding or restriction of any kind to which the Shareholder is a party or by which the Shareholder is bound;
- (e) none of the Subject Securities are, or will at the time of the Geomark Meeting be, subject to any voting trust or voting agreement (other than this Support Agreement), and there will not be any proxy in existence with respect to any of the Subject Securities except for any proxy given by the Shareholder for the purpose of fulfilling the Shareholder's obligations under this Support Agreement, as contemplated by Section 1 above; and
- (f) no person has any agreement or option, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement or option, for the purchase or acquisition of any of the Subject Securities or any interest or right therein, other than this Support Agreement or pursuant to the terms of a Discretionary Account.

## **3. Non Solicitation**

Subject to Section 4 hereof and Section 3.4 of the Arrangement Agreement, the Shareholder shall not, directly or indirectly:

- (a) solicit, assist, facilitate, initiate, entertain or encourage, or take any action to solicit, assist, facilitate, initiate, entertain or encourage, any inquiries or communication regarding or the making of any proposal or offer that constitutes, may constitute, or may

reasonably be expected to lead to, an Acquisition Proposal, including, without limitation, by way of furnishing information; or

- (b) enter into or participate in any negotiations or initiate any discussion regarding an Acquisition Proposal, or furnish or provide access to any other person any information with respect to the securities, business, properties, operations or conditions (financial or otherwise) of Geomark or its subsidiaries in connection with, or in furtherance of, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing.

#### **4. Fiduciary Duties**

Nothing contained in this Support Agreement will, if applicable: (a) restrict, limit or prohibit the Shareholder from exercising in his or her capacity as a director or officer of Geomark or his or her fiduciary duties to Geomark under Applicable Law, or (b) require the Shareholder, in his or her capacity as an officer of Geomark, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions which are inconsistent with, instructions or directions of the Geomark Board undertaken in the exercise of his or her fiduciary duties, provided that nothing in this Section 4 will be deemed to relieve the Shareholder from the Shareholder's obligations under any other provision of this Support Agreement other than Sections 1 and 3 hereof to the extent that the actions taken by the Shareholder were taken solely in his or her capacity as a director or officer of Geomark and in accordance with Section 3.4 of the Arrangement Agreement.

#### **5. Representations and Warranties of Pine Cliff**

Pine Cliff represents and warrants to the Shareholder, as of the date of this Support Agreement and on the Effective Date, that:

- (a) Pine Cliff has the requisite corporate authority to enter into this Support Agreement and the Arrangement Agreement and to carry out its obligations hereunder and thereunder;
- (b) each of this Support Agreement and the Arrangement Agreement has been duly executed and delivered by Pine Cliff and, upon acceptance by the Shareholder of this Support Agreement, constitutes a valid and binding obligation of Pine Cliff enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to principles of equity; and
- (c) neither the entering into of this Support Agreement or the Arrangement Agreement nor the performance by Pine Cliff of its obligations under the Support Agreement or the Arrangement Agreement will violate or constitute a breach of, or default under, any agreement, commitment, arrangement, understanding or restriction of any kind to which it is a party or by which it is bound.

#### **6. Termination**

This Support Agreement and the parties' rights and obligations hereunder shall automatically terminate and be of no further force or effect, without any further action by the Shareholder or Pine Cliff, upon the earlier of: (i) the Effective Time; (ii) the time at which the Arrangement Agreement is terminated in accordance with its terms; and (iii) October 31, 2012.

This Agreement may also be terminated at the sole option of the Shareholder at any time upon written notice given by the Shareholder to Pine Cliff: (i) if the Arrangement Agreement is amended to reduce the consideration or the benefits to be received by the Shareholder pursuant to the Arrangement; or (ii) if there has been a breach by Pine Cliff of this Agreement or the representations and warranties of Pine Cliff contained herein are not true and correct in any material respect.

#### **7. Entire Agreement and Amendment**

Except as expressly set out herein, this Support Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by each of the parties.

#### **8. Assignment**

No party to this Support Agreement may assign this Support Agreement or any of its rights or obligations hereunder without the prior written consent of the other party.

#### **9. Enurement**

This Support Agreement shall be binding upon and shall enure to the benefit of and be enforceable by the Shareholder, Pine Cliff and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns, as applicable.

#### **10. Amendments to Arrangement Agreement**

In the event that the Arrangement Agreement is amended, modified, restated, replaced or superseded from time to time hereafter, all references herein to the Arrangement Agreement shall be to the Arrangement Agreement as so amended, modified or restated or to the agreement that has replaced or superseded it.

#### **11. Disclosure**

Prior to the first public disclosure of the execution of the Arrangement Agreement by Geomark or Pine Cliff, the Shareholder shall not disclose the existence of this Support Agreement, or any details of this Support Agreement or the possibility of the Arrangement, to any person other than Geomark or Pine Cliff and their respective directors, officers and advisors, without the prior written consent of Pine Cliff, unless such disclosure is required by Applicable Law.

The Shareholder consents to the disclosure of the terms and conditions of this Support Agreement in any news release announcing the Arrangement, the Circular, Court documents prepared in respect of the Arrangement and other public disclosure of this Support Agreement that may be required under Applicable Law.

#### **12. Notices**

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered (including by courier) or sent by facsimile or email transmission with confirmation of receipt:

- (a) in the case of the Shareholder, to the address, facsimile number and email address set forth below the Shareholder's signature to this Support Agreement; and

(b) in the case of Pine Cliff to:

Pine Cliff Energy Ltd.  
901, 1015 – 4th Street SW  
Calgary, Alberta T2R 1J4

Attention: President and Chief Executive Officer  
Facsimile: (403) 265-7488  
Email: phodge@pinecliffenergy.com

or to such other address, facsimile number or email address as the party to whom such notice or other communication is to be given has last notified the party giving the same in the manner herein provided. The date or time of receipt of any such notice shall be deemed to be the date of delivery or the time such facsimile or email transmission is received.

### **13. Governing Law**

This Support Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without reference to conflict of laws principles, and the parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta with respect to any claims or disputes arising hereunder.

### **14. Time shall be of the Essence**

Time shall be of the essence of this Support Agreement.

### **15. Remedies**

The Shareholder agrees that in the event of a breach or threatened breach by the Shareholder of his/its obligations under this Support Agreement monetary damages will be an inadequate remedy, and without limiting any other remedies available to Pine Cliff, whether at law, in equity or otherwise, Pine Cliff shall be entitled to injunctive or similar relief to restrain such breach (actual or threatened) or any continuation thereof, and to require specific performance of the provisions hereof.

### **16. Further Assurances**

The Shareholder shall from time to time and at all times hereafter at the request of Pine Cliff, acting reasonably, but without further consideration, do and perform such further acts and sign and deliver such further documents and give such further assurances as Pine Cliff may reasonably request for the purpose of giving effect to this Support Agreement.

### **17. Expenses**

Each of Pine Cliff and the Shareholder agrees to pay his/its own respective expenses incurred in connection with this Support Agreement.

### **18. Counterpart Execution**

This Support Agreement may be signed in counterparts that together shall be deemed to constitute one and the same agreement, and delivery of such counterparts may be effected by means of facsimile or other electronic transmission.

If you are in agreement with the foregoing, please indicate your acceptance thereof by signing and returning this letter to Pine Cliff.

Yours truly,

**PINE CLIFF ENERGY LTD.**

Per: \_\_\_\_\_  
Philip B. Hodge  
President and Chief Executive Officer

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Shareholder

\_\_\_\_\_  
Address of Shareholder

\_\_\_\_\_  
Address of Shareholder (cont.)

\_\_\_\_\_  
Facsimile Number of Shareholder

\_\_\_\_\_  
Email Address of Shareholder

Number of Geomark Shares  
beneficially owned by  
Shareholder or over which  
the Shareholder exercises  
control or direction over  
(excluding Geomark Shares  
held under the terms of a  
Discretionary Account):

\_\_\_\_\_

Number of Geomark Shares  
held under the terms of  
Discretionary Account:

\_\_\_\_\_

Number of Geomark Options  
owned by Shareholder:

\_\_\_\_\_

**SCHEDULE "C"**

**FORM OF PINE CLIFF SUPPORT AGREEMENT**

## SUPPORT AGREEMENT

September \_\_, 2012

TO: THE UNDERSIGNED SHAREHOLDER OF PINE CLIFF ENERGY LTD.

Dear Sir:

**Re: Proposed Business Combination of PINE CLIFF ENERGY LTD. ("Pine Cliff") and GEOMARK EXPLORATION LTD. ("Geomark")**

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Reference is made to the Arrangement Agreement, dated as of the date hereof, between Geomark and Pine Cliff (the "**Arrangement Agreement**") relating to the proposed business combination whereby Pine Cliff will acquire all of the issued and outstanding common shares in the capital of Geomark (the "**Arrangement**"). Completion of the Arrangement is subject to, among other things, the shareholders of Pine Cliff ("**Pine Cliff Shareholders**") passing a resolution approving the issuance of the Pine Cliff Shares at the Pine Cliff Meeting.

All capitalized terms and phrases used in this Support Agreement, but not defined herein, shall have the respective meanings ascribed to them in the Arrangement Agreement.

The purpose of this Support Agreement is to confirm the commitment of the undersigned shareholder of Pine Cliff (the "**Shareholder**") to, subject to the terms of this Support Agreement, vote or cause to be voted, at the Pine Cliff Meeting, all Pine Cliff Shares registered in the name of the Shareholder or beneficially owned by the Shareholder, directly or indirectly, or over which the Shareholder exercises control or direction and any Pine Cliff Shares acquired by the Shareholder directly or indirectly, or over which the Shareholder obtains control or direction after the date hereof (including, if applicable, pursuant to the exercise of any Pine Cliff Options) (collectively, the "**Subject Securities**"), in favour of the Issuance Resolution and to otherwise support the Arrangement on the terms and subject to satisfaction of the conditions set out in this Support Agreement.

### 1. Covenants of the Shareholder

For good and valuable consideration (the receipt and sufficiency of which is acknowledged), and subject to the terms hereof, the Shareholder hereby covenants and agrees that, unless this Support Agreement is terminated in accordance with Section 6 below, the Shareholder shall:

- (a) vote or cause to be voted all Subject Securities:
  - (i) in favour of the Issuance Resolution and all ancillary resolutions approving the Arrangement (if any and including, without limitation, any matters that are necessary or desirable to complete the Arrangement) that are considered by the Pine Cliff Shareholders at the Pine Cliff Meeting; and
  - (ii) against or otherwise in opposition to any resolution in respect of any other transaction involving Pine Cliff or any other proposed action by any person that, if undertaken or completed, would reasonably be expected to adversely impede, prevent, hinder, delay or challenge the successful completion of the Arrangement or reduce the likelihood of the Issuance Resolution being approved;

and in that regard, the Shareholder shall provide evidence thereof to Geomark not later than five (5) Business Days prior to the date of the Pine Cliff Meeting;

- (b) not exercise any rights or remedies available to the Shareholder in respect of the Issuance Resolution, whether arising under statute, at common law or otherwise, to adversely impede, prevent, hinder, affect, delay, upset or challenge the Arrangement;
- (c) except to the extent permitted under this Support Agreement, not take any action of any kind which would cause any of the Shareholder's representations or warranties in this Support Agreement to become untrue or which may in any way adversely affect the success of the Arrangement or the completion of the Arrangement;
- (d) not sell, assign, transfer, convey or otherwise dispose of, or enter into any agreement or understanding relating to the sale, assignment, transfer, conveyance or other disposition of, any Subject Securities, and not transfer any voting rights attached thereto, other than: (i) to grant a proxy instructing a proxyholder to vote the Subject Securities as provided in subsection 1(a) above; (ii) to an associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)), provided such associate or affiliate first agrees to be bound by the terms hereof; (iii) to a self-directed registered retirement savings account; or (iv) to any other Person with the prior consent of Geomark (which consent may not be unreasonably withheld);
- (e) except to the extent permitted under this Support Agreement, not take any action, directly or indirectly, which may reasonably be expected to adversely impede, prevent, affect, delay, hinder, upset or challenge the successful completion of the Arrangement;
- (f) if the Shareholder is a director or officer of Pine Cliff, as applicable, use its best efforts to cause Pine Cliff to perform its obligations under the Arrangement Agreement, to the extent such is within the Shareholder's power and subject to Section 4 hereof; and
- (g) promptly notify Geomark upon any of the Shareholder's representations or warranties contained in this Support Agreement becoming untrue or incorrect in any material respect prior to the Effective Time, and for the purposes of this provision, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date hereof)

## **2. Representations and Warranties of the Shareholder**

The Shareholder hereby represents and warrants to Geomark, as of the date of this Support Agreement and on the Effective Date, that:

- (a) at the date hereof, the Shareholder is the registered owner of or beneficially owns or exercises control or direction over the Subject Securities noted under the Shareholder's signature below;
- (b) if the Shareholder is not a natural person, the Shareholder has good and sufficient power and capacity to enter into this Support Agreement and to perform its obligations hereunder;

- (c) this Support Agreement has been duly executed and delivered by the Shareholder and constitutes a valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to principles of equity;
- (d) neither the entering into of this Support Agreement nor the performance by the Shareholder of his/its obligations hereunder will violate or constitute a breach of, or default under, any agreement, commitment, arrangement, understanding or restriction of any kind to which the Shareholder is a party or by which the Shareholder is bound;
- (e) none of the Subject Securities are, or will at the time of the Pine Cliff Meeting be, subject to any voting trust or voting agreement (other than this Support Agreement), and there will not be any proxy in existence with respect to any of the Subject Securities except for any proxy given by the Shareholder for the purpose of fulfilling the Shareholder's obligations under this Support Agreement, as contemplated by Section 1 above; and
- (f) no person has any agreement or option, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement or option, for the purchase or acquisition of any of the Subject Securities or any interest or right therein, other than this Support Agreement.

### **3. Non Solicitation**

Subject to Section 4 hereof and Section 3.4 of the Arrangement Agreement, the Shareholder shall not, directly or indirectly:

- (a) solicit, assist, facilitate, initiate, entertain or encourage, or take any action to solicit, assist, facilitate, initiate, entertain or encourage, any inquiries or communication regarding or the making of any proposal or offer that constitutes, may constitute, or may reasonably be expected to lead to, an Acquisition Proposal, including, without limitation, by way of furnishing information; or
- (b) enter into or participate in any negotiations or initiate any discussion regarding an Acquisition Proposal, or furnish or provide access to any other person any information with respect to the securities, business, properties, operations or conditions (financial or otherwise) of Pine Cliff in connection with, or in furtherance of, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing.

### **4. Fiduciary Duties**

Nothing contained in this Support Agreement will, if applicable: (a) restrict, limit or prohibit the Shareholder from exercising in his or her capacity as a director or officer of Pine Cliff or his or her fiduciary duties to Pine Cliff under Applicable Law, or (b) require the Shareholder, in his or her capacity as an officer of Pine Cliff, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions which are inconsistent with, instructions or directions of the Pine Cliff Board undertaken in the exercise of his or her fiduciary duties, provided that nothing in this Section 4 will be deemed to relieve the Shareholder from the Shareholder's obligations under any other provision of this Support Agreement other than Sections 1 and 3 hereof to the extent that the actions taken

by the Shareholder were taken solely in his or her capacity as a director or officer of Pine Cliff and in accordance with Section 3.4 of the Arrangement Agreement.

## **5. Representations and Warranties of Geomark**

Geomark represents and warrants to the Shareholder, as of the date of this Support Agreement and on the Effective Date, that:

- (a) Geomark has the requisite corporate authority to enter into this Support Agreement and the Arrangement Agreement and to carry out its obligations hereunder and thereunder;
- (b) each of this Support Agreement and the Arrangement Agreement has been duly executed and delivered by Geomark and, upon acceptance by the Shareholder of this Support Agreement, constitutes a valid and binding obligation of Geomark enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to principles of equity; and
- (c) neither the entering into of this Support Agreement or the Arrangement Agreement nor the performance by Geomark of its obligations under the Support Agreement or the Arrangement Agreement will violate or constitute a breach of, or default under, any agreement, commitment, arrangement, understanding or restriction of any kind to which it is a party or by which it is bound.

## **6. Termination**

This Support Agreement and the parties' rights and obligations hereunder shall automatically terminate and be of no further force or effect, without any further action by the Shareholder or Geomark, upon the earlier of: (i) the Effective Time; (ii) the time at which the Arrangement Agreement is terminated in accordance with its terms; and (iii) October 31, 2012.

This Agreement may also be terminated at the sole option of the Shareholder at any time upon written notice given by the Shareholder to Pine Cliff: (i) if the Arrangement Agreement is amended to reduce the consideration or the benefits to be received by the Shareholder pursuant to the Arrangement; or (ii) if there has been a breach by Geomark of this Agreement or the representations and warranties of Geomark contained herein are not true and correct in any material respect.

## **7. Entire Agreement and Amendment**

Except as expressly set out herein, this Support Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by each of the parties.

## **8. Assignment**

No party to this Support Agreement may assign this Support Agreement or any of its rights or obligations hereunder without the prior written consent of the other party.

## 9. Enurement

This Support Agreement shall be binding upon and shall enure to the benefit of and be enforceable by the Shareholder, Geomark and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns, as applicable.

## 10. Amendments to Arrangement Agreement

In the event that the Arrangement Agreement is amended, modified, restated, replaced or superseded from time to time hereafter, all references herein to the Arrangement Agreement shall be to the Arrangement Agreement as so amended, modified or restated or to the agreement that has replaced or superseded it.

## 11. Disclosure

Prior to the first public disclosure of the execution of the Arrangement Agreement by Geomark or Pine Cliff, the Shareholder shall not disclose the existence of this Support Agreement, or any details of this Support Agreement or the possibility of the Arrangement, to any person other than Geomark or Pine Cliff and their respective directors, officers and advisors, without the prior written consent of Geomark, unless such disclosure is required by Applicable Law.

The Shareholder consents to the disclosure of the terms and conditions of this Support Agreement in any news release announcing the Arrangement, the Circular, Court documents prepared in respect of the Arrangement and other public disclosure of this Support Agreement that may be required under Applicable Law.

## 12. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered (including by courier) or sent by facsimile or email transmission with confirmation of receipt:

- (a) in the case of the Shareholder, to the address, facsimile number and email address set forth below the Shareholder's signature to this Support Agreement; and
- (b) in the case of Geomark to:

Geomark Exploration Ltd.  
901, 1015 – 4th Street SW  
Calgary, Alberta T2R 1J4

Attention: Chief Executive Officer  
Facsimile: (403) 232-1421  
Email: gfink@bonterraenergy.com

or to such other address, facsimile number or email address as the party to whom such notice or other communication is to be given has last notified the party giving the same in the manner herein provided. The date or time of receipt of any such notice shall be deemed to be the date of delivery or the time such facsimile or email transmission is received.

**13. Governing Law**

This Support Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without reference to conflict of laws principles, and the parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta with respect to any claims or disputes arising hereunder.

**14. Time shall be of the Essence**

Time shall be of the essence of this Support Agreement.

**15. Remedies**

The Shareholder agrees that in the event of a breach or threatened breach by the Shareholder of his/its obligations under this Support Agreement monetary damages will be an inadequate remedy, and without limiting any other remedies available to Geomark, whether at law, in equity or otherwise, Geomark shall be entitled to injunctive or similar relief to restrain such breach (actual or threatened) or any continuation thereof, and to require specific performance of the provisions hereof.

**16. Further Assurances**

The Shareholder shall from time to time and at all times hereafter at the request of Geomark, acting reasonably, but without further consideration, do and perform such further acts and sign and deliver such further documents and give such further assurances as Geomark may reasonably request for the purpose of giving effect to this Support Agreement.

**17. Expenses**

Each of Geomark and the Shareholder agrees to pay his/its own respective expenses incurred in connection with this Support Agreement.

**18. Counterpart Execution**

This Support Agreement may be signed in counterparts that together shall be deemed to constitute one and the same agreement, and delivery of such counterparts may be effected by means of facsimile or other electronic transmission.

If you are in agreement with the foregoing, please indicate your acceptance thereof by signing and returning this letter to Geomark.

Yours truly,

**GEOMARK EXPLORATION LTD.**

Per: \_\_\_\_\_

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Shareholder

\_\_\_\_\_  
Address of Shareholder

\_\_\_\_\_  
Address of Shareholder (cont.)

\_\_\_\_\_  
Facsimile Number of Shareholder

\_\_\_\_\_  
Email Address of Shareholder

Number of Pine Cliff Shares  
beneficially owned by  
Shareholder or over which  
the Shareholder exercises  
control or direction over:

\_\_\_\_\_

Number of Pine Cliff Options  
owned by Shareholder:

\_\_\_\_\_