

**SECURITIES EXCHANGE AGREEMENT**

**AMONG**

**CUB ENERGY INC.**

**AND**

**GASTEK LLC**

**AND**

**PELICOURT LIMITED**

**AND**

**MIKHAIL AFENDIKOV, VALENTIN BORTNIK, ANDREAS TSERNI AND ROBERT BENSH**

**MADE AS OF**

**JANUARY 26, 2012**

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**SECURITIES EXCHANGE AGREEMENT**

THIS AGREEMENT is made as of January 26, 2012

AMONG

**Cub Energy Inc.**, a corporation continued under the laws of Canada  
(“**CUB**”),

- and -

**Pelicourt Limited**, a corporation incorporated under the laws of Cyprus  
(the “**Vendor**”),

- and -

**Gastek LLC**, a limited liability company incorporated under the laws of  
the State of California (“**Gastek**”),

- and -

**Mikhail Afendikov**, an individual resident in the City of San Rafael in  
the State of California (“**Afendikov**”)

- and -

**Valentin Bortnik**, an individual resident in the City of Athens in the  
Country of Greece (“**Bortnik**”)

- and -

**Robert Bensch**, an individual resident in the City of Houston in the State  
of Texas (“**Bensch**”)

- and -

**Andreas Tserni**, an individual resident in the City of Athens in the  
Country of Greece (“**Tserni**” together with Afendikov, Bortnik and  
Bensch, the “**Vendor Shareholders**”)

WHEREAS pursuant to a letter of intent dated October 31, 2011 between CUB and Gastek, CUB and Gastek intend to effect a business combination pursuant to which the business and assets of Gastek are to be combined with those of CUB in a reverse take-over of CUB by Gastek;

AND WHEREAS the parties intend to effect the Acquisition (as herein defined) by way of a share exchange, in accordance with the terms and conditions of this Agreement;

AND WHEREAS the Vendor is the beneficial and registered owner of the Gastek Units (as herein defined);

AND WHEREAS the Vendor Shareholders are indirectly the beneficial and registered owners of the Vendor Shares (as herein defined);

AND WHEREAS the Vendor desires to sell and CUB desires to purchase the Gastek Units upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

## **ARTICLE 1 - INTERPRETATION**

### **1.01            Definitions**

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

“**Acquisition**” means the reverse take-over of CUB by the Vendor pursuant to the terms and conditions of this Agreement.

“**Acquisition Proposal**” means a proposal or offer by a third party to: (a) acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of CUB; (b) to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 20% of the outstanding voting shares of CUB; or (c) to combine with CUB, whether by:

- (a) an arrangement, amalgamation, merger, consolidation, joint venture, partnership or other business combination;
- (b) by means of a recapitalization or sale of shares in the capital of CUB (which for greater certainty shall include the issuance of securities from treasury); or
- (c) a tender offer or exchange offer or similar transaction involving CUB,

including any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire in any manner, directly or indirectly beneficial ownership of all or a material portion of the assets of CUB, beneficial ownership of or control or direction over more than 20% of the outstanding voting shares of CUB, or to amalgamate, merge or otherwise combine with CUB, or any public announcement of an intention to do any of the foregoing;

“**Affiliate**” means, with respect to any person, any other person that controls or is controlled by or is under common control with the referent person.

“**Agreement**” means this agreement, including its recitals and schedules, as amended from time to time.

“**AMC**” means the Anti-Monopoly Committee of Ukraine.

“**AMC Consent**” has the meaning given to that term in Section 4.02.

“**Applicable Law**” means:

- (a) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and

- (b) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority whether or not having the force of law.

“**Authority**” means the Ministry of Protection of the Environment of Ukraine;

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in Toronto, Canada.

“**Claim**” means any actual or threatened civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim or demand resulting therefrom or any other claim or demand of whatever nature or kind.

“**Closing Date**” means February 28, 2012 or such other date as may be agreed to in writing by Gastek, the Vendor and CUB.

“**Confidentiality Agreement**” means the confidentiality agreement among CUB, Gastek, Kulczyk Oil Ventures Limited, KUB-GAS Holdings and KUB-GAS dated November 17, 2011.

“**CUB**” means CUB Energy Inc. (formerly 3P International Energy Corp.), a company incorporated under the laws of Ontario with corporation number 2168517.

“**CUB Financial Statements**” means the audited annual financial statements of CUB as at and for the fiscal years ended June 30, 2011, 2010 and 2009, including the notes thereto and the reports of the auditors’ thereon, and the CUB Interim Financial Statements, copies of each of which can be found under CUB’s profile on SEDAR.

“**CUB Interim Financial Statements**” means the unaudited interim financial statements of CUB as at and for the three months ended September 30, 2011, including the notes thereto.

“**CUB Options**” means the outstanding stock options of CUB.

“**CUB Shareholders**” means all of the shareholders of CUB.

“**CUB Shares**” means the common shares in the capital of CUB.

“**CUB Stock Option Plan**” means the stock option plan of CUB.

“**CUB Subscription Receipts**” means the subscription receipts of CUB issued pursuant to the private placement which closed on November 25, 2011, each of which will be converted into one CUB Share immediately upon the satisfaction of certain conditions, for no additional payment and without any further action on the part of the holder.

“**CUB Warrants**” means the common share purchase warrants of CUB.

“**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 or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing.

“**Environmental Law**” means any Applicable Law relating to the environment including those pertaining to:

- (a) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and
- (b) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

**“Filing Statement”** means the filing statement in TSXV Form 3D2 to be prepared by CUB in connection with the Acquisition.

**“GAAP”** means generally accepted accounting principles.

**“Gastek”** means Gastek LLC, a limited liability company incorporated under the laws of California with company number 200512610125.

**“Gastek Financial Statements”** means the audited annual financial statements of Gastek as at and for the fiscal years ended December 31, 2010, 2009 and 2008, including the notes thereto and the reports of the auditors’ thereon, and the Gastek Interim Financial Statements, copies of each of which are attached as Schedule 1.01.

**“Gastek Interim Financial Statements”** means the unaudited interim financial statements of Gastek as at and for the nine months ended September 30, 2011, including the notes thereto.

**“Gastek Units”** means all of the outstanding units of Gastek.

**“Good Oilfield Practice”** means those practices, methods, standards and procedures generally accepted and followed internationally by prudent, diligent, skilled and experienced operators in petroleum exploration, development and production operations and which, at a particular time in question are legally permitted in Ukraine and, in the exercise of reasonable judgment and in light of facts then known at the time a decision was made, would be expected to accomplish the desired results and goals; provided that “Good Oilfield Practice” is not intended to be limited to optimum practices or methods to the exclusion of all others, but rather to be a spectrum or reasonable and prudent practices, methods, standards and procedures;

**“Governmental Authority”** means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

**“Hazardous Substance”** means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws including pollutants, contaminants, dangerous goods or substances, toxic or hazardous substances or materials, wastes (including solid non-hazardous wastes and subject wastes), petroleum and its derivatives and by-products and other hydrocarbons, all as defined in or pursuant to any Environmental Law.

**“IFRS”** International Financial Reporting Standards.

**“Intellectual Property”** means intellectual property of any nature and kind including all domestic and foreign trade-marks, business names, trade names, domain names, trading styles, patents, trade secrets, Software, industrial designs and copyrights, whether registered or unregistered, and all applications for registration thereof, and inventions, formulae, recipes, product formulations, processes and processing methods, technology and techniques, and know-how.

“**K200 Rig**” means the K200 drilling rig owned by KUB-GAS.

“**knowledge**” means, with respect to Gastek, the Vendor or CUB, as applicable, the actual knowledge of their respective executive officers and directors.

“**KUB-GAS**” means KUB-Gas Ltd., a company incorporated under the laws of Ukraine with company number 30694895.

“**KUB-GAS Holdings**” means Kub-Gas Holdings Limited (formerly Loon Ukraine Holding Limited), a company incorporated under the laws of Cyprus with company number 238218.

“**KUB-GAS Holdings Shares**” means that number of ordinary issued shares of EUR 1.00 each in the capital of KUB-GAS Holdings equal to 30 per cent of the total issued equity of KUB-GAS Holdings;

“**Licence Agreement**” means an agreement on terms of use of subsoil, which is an integral part of each of the Licences;

“**Licence Area**” means an area covered by a Licence;

“**Licence Documents**” means, in respect of each Licence, the Licence, the Licence Agreement, Exploration Licence, Production Licence, Supply Licence and the ancillary documents relating to that Licence;

“**Licences**” means any of the licences listed in Schedule 1.02;

“**Material Adverse Change**” or “**Material Adverse Effect**” means, in respect of each of CUB and Gastek, any change, effect, event, development, occurrence, circumstance or state of facts that, individually or in the aggregate, is, or could reasonably be expected to be, material and adverse to the business, operations or financial condition, property, assets, liabilities (contingent or otherwise) or prospects of CUB and its subsidiaries, taken as a whole, or of Gastek and its subsidiaries, taken as a whole (which, for the purposes of this definition, KUB-Gas being deemed to be a subsidiary of Gastek), respectively, or that would prevent or significantly impede the Acquisition or the completion of the other transactions contemplated by this Agreement and the Acquisition documents, other than (i) any change, effect, event, development, occurrence, circumstance or state of facts relating to (a) any change in general economic conditions in Canada, the United States or the Ukraine or any change in Canadian, United States or Ukraine financial, banking or currency exchange markets; (b) any change or development resulting from any act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof) or any natural disaster; (c) any change or development affecting the oil and gas industry generally or the specific industries in which CUB and its subsidiaries or Gastek and its subsidiaries operate; (d) any changes in the market price for crude oil, natural gas or related hydrocarbons; or (e) any changes or proposed changes in laws not specifically directed at CUB or Gastek, as the case may be, or their respective subsidiaries or the interpretation, application or non-application of such laws by any governmental authority; provided, however, that any such change referred to in clauses (a) to (e) above does not primarily relate only to (or have the effect of primarily relating only to) CUB and its subsidiaries, taken as a whole, or Gastek and its subsidiaries, taken as a whole, or disproportionately adversely affect CUB and its subsidiaries, taken as a whole, or Gastek and its subsidiaries, taken as a whole, compared to other entities of similar size operating in the industries in which CUB and its subsidiaries or Gastek and its subsidiaries, respectively, operate or (ii) a change in the trading price of the CUB Shares following or reasonably attributable to any of the items in clauses (i)(a) to (e) above, individually or in the aggregate, or the disclosure of the Acquisition and the other transactions contemplated in the Agreement.

“**Party**” means a party to this Agreement and “**Parties**” means all parties to this Agreement.

“**Permits**” means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges, quotas and exemptions, or any item with a similar effect, issued or granted by any person.

“**Person**” means and includes an individual, firm, sole proprietorship, partnership, joint venture, venture capital or hedge fund, association, unincorporated association, unincorporated syndicate, unincorporated organization, estate, group, trust, body corporate (including a limited liability company and an unlimited liability company), a trustee, executor, administrator or other legal representative, Governmental Authority syndicate or other entity, whether or not having legal status.

“**Personal Information**” means the type of information regulated by Privacy Laws and collected, used, disclosed or retained by the Relevant Party including information regarding the Relevant Party’s customers, suppliers, employees and agents, such as an individual’s name, address, age, gender, identification number, income, family status, citizenship, employment, assets, liabilities, source of funds, payment records, credit information, personal references and health records.

“**Privacy Laws**” means all applicable federal, provincial, state, municipal or other laws governing the collection, use, disclosure and retention of Personal Information, including the *Personal Information Protection and Electronic Documents Act* (Canada).

“**Privacy Policies**” means all privacy, data protection and similar policies adopted or used by the Relevant Party in respect of Personal Information, including any complaints process.

“**Production Licence**” means the licence for business activity of production of minerals from the fields of state importance and included in the State fund of fields of minerals Series AB No. 429086, issued by the State Geology Service to KUB-GAS on August 4, 2008;

“**Purchase Price**” has the meaning set out in Section 2.02.

“**Release**” means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

“**Relevant Party**” means either: (i) CUB; or (ii) Gastek, as applicable.

“**Resulting Issuer**” means the issuer existing after completion of the Acquisition, to be named “Cub Energy Inc.”.

“**RPS**” means RPS Energy.

“**RPS Report**” means the reserves report entitled “Evaluation of Natural Gas Reserves and Resources in Ukraine as of 1<sup>st</sup> August, 2011” prepared by RPS effective August 1, 2011.

“**Securities Act**” means the *Securities Act* (Ontario) and all blanket rulings, policy statements, orders, rules and notices of the Ontario Securities Commission.

“**Securities Authorities**” means the TSXV and any applicable securities commissions or similar regulatory authorities in Canada and each of the provinces and territories thereof.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Software**” means all software relating to the Relevant Party including any computer programs and all related documentation, manuals, source code and object code, program files, data files, computer related data, field and data definitions and relationships, data definition specifications, data models, program and system logic, interfaces, program modules, routines, sub-routines, algorithms, program architecture, design concepts, system designs, program structure, sequence and organization, screen displays and report layouts, and all other material related to such software.

“**Sproule**” means Sproule International Limited.

“**Sproule Reserve Report**” means the report entitled “Evaluation of the Natural Gas Resources in the Rusko-Komarivske and Stanivske Fields, Ukraine for 3P International Energy Corp.” prepared by Sproule dated June 30, 2011 effective April 30, 2011.

“**Subsidiary**” means, with respect to any person, an entity which is controlled by such person; when used without reference to a particular person, “Subsidiary” means a Subsidiary of Gastek or CUB, as the case may be.

“**Superior Proposal**” means an unsolicited *bona fide* written Acquisition Proposal which, in the opinion of the board of directors of CUB, acting reasonably and in good faith and after consultation with its outside legal counsel and financial advisors, as reflected in minutes of the board of directors of CUB:

- (a) is reasonably likely to be completed on its terms taking into account all financial, regulatory and other aspects of such proposal;
- (b) is reasonably capable of being completed without undue delay, taking into account all aspects of such proposal and the party making such proposal;
- (c) for which either adequate financing to complete such Acquisition Proposal has been obtained, or is reasonably likely to be obtained; and
- (d) would, or would reasonably be expected to, if consummated in accordance with its terms (but not disregarding any risk of non-completion), result in a transaction that is more favourable, from a financial point of view, to the shareholders of CUB than the transactions contemplated herein.

“**Supply Licence**” means a licence for business activity of natural gas supply at non-regulated tariff Series AB No. AH507484, issued by the National Energy Regulation Commission to KUB-GAS on August 18, 2011;

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Taxes**” means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority including, (i) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise, severance, stamp, occupation, or premium tax, (ii) all withholdings on amounts paid to or by the relevant person, (iii) all employment insurance premiums, Canada, Québec and any other

pension plan contributions or premiums, (iv) any fine, penalty, interest, or addition to tax, (v) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (vi) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law.

“**Tax Returns**” means all returns, reports, declarations, statements, bills, schedules, forms or written information of, or in respect of, Taxes that are, or are required to be, filed with or supplied to any Taxation Authority.

“**Tax Statutes**” means all statutes, statutory instruments, orders, enactments, laws, by-laws, directives and regulations, whether domestic or foreign decrees, providing for or imposing any Taxes;

“**Taxation Authority**” means any domestic or foreign government, agency or authority that is entitled to impose Taxes or to administer any applicable Tax legislation.

“**Time of Closing**” means 11:00 a.m. (Toronto Time) on the Closing Date.

“**TSXV**” means the TSX Venture Exchange Inc.

“**Vendor**” means Pelicourt Limited, a company incorporated under the laws of Cyprus with company number 297808.

“**Vendor Shareholders**” means, collectively, Mikhail Afendikov, Valentin Bortnik and Andreas Tserni.

“**Vendor Shares**” means all of the outstanding bearer shares of the Vendor.

## 1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

## 1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and vice versa, words importing any gender include all genders. The term “including” means “including without limiting the generality of the foregoing” and the term “third party” means any person other than the Parties.

## 1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05            **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with GAAP, such reference will be deemed to be to the GAAP from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06            **Currency**

All references to currency herein are to lawful money of Canada.

1.07            **Control**

(1)            For the purposes of this Agreement,

- (a)            a person controls a body corporate if securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned by the person and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate;
- (b)            a person controls an unincorporated entity, other than a limited partnership, if more than 50% of the ownership interests, however designated, into which the entity is divided are beneficially owned by that person and the person is able to direct the business and affairs of the entity; and
- (c)            the general partner of a limited partnership controls the limited partnership.

(2)            A person who controls an entity is deemed to control any entity that is controlled, or deemed to be controlled, by the entity.

(3)            A person is deemed to control, within the meaning of Section 1.07(1)(a) or (1)(b), an entity if the aggregate of

- (a)            any securities of the entity that are beneficially owned by that person, and
- (b)            any securities of the entity that are beneficially owned by any entity controlled by that person

is such that, if that person and all of the entities referred to in Section 1.07(3)(b) that beneficially own securities of the entity were one person, that person would control the entity.

1.08            **Schedules**

The following are the Schedules to this Agreement:

- Schedule 1.01            -            Gastek Financial Statements;
- Schedule 1.02            -            Licences;
- Schedule 3.01(2)(c)        -            KUB-Gas Share Encumbrances;
- Schedule 3.01(2)(n)        -            KUB-GAS Litigation;
- Schedule 3.03            -            CUB Representations and Warranties;

Schedule 3.03(f)	-	Description of CUB Shares;
Schedule 3.03(dd)	-	CUB Tax Audit;
Schedule 3.03(jj)	-	CUB Termination or Severance Pay Requirements;
Schedule 3.03(ww)	-	CUB Share Escrow, etc.;
Schedule 3.03(ddd)	-	CUB Leases;
Schedule 3.03(hhh)	-	CUB Management Fees; and
Schedule 3.03(iii)	-	CUB Employment Agreements.

The information disclosed in any Schedule will be disclosure only against the representation and warranty to which it expressly relates.

## **ARTICLE 2 - SALE AND PURCHASE**

### **2.01 Purchase and Sale**

Upon and subject to the terms and conditions hereof and based on the mutual representations, warranties, terms and conditions herein contained, the Vendor will assign, sell and transfer to CUB all of its right, title and interest in and to the Gastek Units and CUB agrees to purchase from the Vendor all of the Gastek Units, as of the Time of Closing.

### **2.02 Purchase Price**

The purchase price for the Gastek Units (the “**Purchase Price**”) will be paid by CUB on the Closing Date by the issuance to the Vendor of 123,278,089 CUB Shares, at a deemed price of \$0.40, for total value of \$49,311,236.

### **2.03 Resale Restrictions**

The CUB Shares will be issued in accordance with applicable Canadian and United States securities laws and may be subject to statutory or TSXV imposed restrictions on resale for a period not exceeding four months from the Closing Date and other restrictions under U.S. securities laws.

### **2.04 Escrow**

A portion of the CUB Shares to be issued to the Vendor pursuant to the Acquisition including up to 100% of the securities to be issued to “Principals” (as defined under TSXV Policy 1.1 – *Interpretation*) may be subject to a time-release escrow provisions which shall be imposed pursuant to the policies of the TSXV. The Parties acknowledge that these escrowed CUB Shares shall be held in escrow pursuant to an escrow agreement among the Resulting Issuer, the Vendor and the escrow agent, in the form prescribed by the TSXV.

## **ARTICLE 3 - REPRESENTATIONS AND WARRANTIES**

### **3.01 Gastek and the Vendor’s Representations and Warranties**

Gastek, the Vendor, Afendikov, Bortnik and Tserni jointly and severally represent and warrant to CUB (and acknowledge that CUB is relying on such representations and warranties in completing the transactions contemplated thereby) that:

#### **(1) GASTEK AND THE VENDOR**

- (a) The Vendor is a corporation duly incorporated, organized and subsisting under the laws of Cyprus with the corporate power to own its assets and to carry on its business and has made all necessary filings under all applicable corporate, securities and Taxation laws or any other Applicable Laws.
- (b) All of the issued and outstanding bearer shares of the Vendor are beneficially owned by and registered in the name of the Vendor Shareholders.
- (c) Gastek is a limited liability company duly incorporated, organized and subsisting under the laws of the State of California with the corporate power to own its assets and to carry on its business and has made all necessary filings under all applicable corporate, securities and Taxation laws or any other Applicable Laws.
- (d) Gastek has no Subsidiaries and, other than its 30% ownership of KUB-Gas Holdings, does not own any securities issued by, or any equity or ownership interest in, any other Person.
- (e) The authorized capital of Gastek is not limited. The sole member of Gastek is the Vendor. Since Gastek is a single-member limited liability company that is disregarded for federal and state tax purposes, the Vendor does not have a capital account in Gastek. The capital of Gastek is fully paid and non-assessable.
- (f) Except pursuant to this Agreement, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Gastek of any shares in the capital of Gastek or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares in the capital of Gastek, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Gastek.
- (g) The Vendor is the beneficial and registered owner of Gastek free and clear of all liens, charges, encumbrances and any other rights of others.
- (h) All necessary or required corporate measures, proceedings and actions of the directors and shareholders of Gastek and the Vendor have been taken to:
  - (i) authorize and enable Gastek and the Vendor to enter into and deliver this Agreement and to perform its obligations hereunder; and
  - (ii) authorize the transfer of Gastek Units by the Vendor to CUB as contemplated by this Agreement.
- (i) Each of Gastek and the Vendor has the requisite corporate power, authority and right to enter into this Agreement and all agreements contemplated hereunder and to carry out their respective obligations hereunder and thereunder including to transfer the legal and beneficial title and ownership of the Gastek Units to CUB. The execution and delivery of this Agreement and all agreements contemplated hereunder and the consummation of the transactions contemplated

hereby and thereby have been duly authorized by each of Gastek's and the Vendor's board of directors, and (except for approvals contemplated by this Agreement) no other corporate proceedings on the part of Gastek or the Vendor are or will be necessary to authorize this Agreement or any agreements contemplated hereunder and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by each of Gastek and the Vendor and all agreements contemplated hereunder have been or will be on or before the Closing Date duly executed and delivered by each of Gastek and the Vendor and this Agreement constitutes, and all agreements contemplated hereunder constitute, or will by the Closing Date constitute, the legal, valid and binding obligations of Gastek and the Vendor enforceable against Gastek and the Vendor in accordance with their respective terms.

- (j) Neither Gastek nor the Vendor is in violation of its constating documents or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Gastek or the Vendor is a party or to which either of them, or any of their respective properties or assets, may be subject or by which Gastek or the Vendor is bound, except for such defaults which individually or collectively would not result in a Material Adverse Effect.
- (k) Neither the execution and delivery of this Agreement or any other agreements contemplated hereunder by Gastek or the Vendor, the consummation of the transactions contemplated hereby and thereby nor compliance by each of Gastek and the Vendor with any of the provisions hereof or thereof will: (i) violate, conflict with, or result in a 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 Encumbrance upon any of the properties or assets of Gastek or the Vendor under any of the terms, conditions or provisions of (a) their respective constating documents or (b) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Gastek or the Vendor is a party or to which any of them, or either of their respective properties or assets, may be subject or by which Gastek or the Vendor is bound; (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Gastek or the Vendor; or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Gastek or the Vendor.
- (l) There is no contract, option or any other right of another binding upon or which at any time in the future may become binding upon:
  - (i) the Vendor to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any of the Gastek Units other than pursuant to the provisions of this Agreement;
  - (ii) Gastek to allot or issue any of the unissued Gastek Units or to create any additional class of securities; or

- (iii) Gastek to sell, transfer, assign, pledge, mortgage or in any other way dispose of or encumber any of the assets of Gastek.
  
- (m) Except for the consents and approvals contemplated in this Agreement and approvals that have been obtained and other than in the normal course in connection with or in compliance with the provisions of securities laws and the rules of the TSXV: (i) there is no legal impediment to Gastek's or the Vendor's consummation of the transactions contemplated by this Agreement or any agreements contemplated hereunder; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Gastek or the Vendor in connection with the making of this Agreement or the consummation of the transactions contemplated by this Agreement or any agreement contemplated hereunder.
  
- (n) The books and records of Gastek are true and correct and present fairly and disclose in all material respects the financial position of Gastek and all material financial transactions of Gastek have been accurately recorded in such books and records and, to the extent possible, such books and records have been prepared in accordance with IFRS consistently applied.
  
- (o) The Gastek Financial Statements have been prepared in accordance with IFRS and present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Gastek as of the respective dates thereof and the results of operations and cash flows of Gastek for the respective financial periods covered thereby.
  
- (p) Gastek has no accrued, contingent or other liabilities of any nature whatsoever and there are no facts, circumstances or events which exist that may give rise to any such liabilities except for (i) liabilities set out or reflected in the Gastek Financial Statements, and (ii) normal liabilities that have been incurred by Gastek since the date of the Gastek Financial Statements in the ordinary course of business and consistent with past practices.
  
- (q) The financial position of Gastek is at least as good as the financial position of Gastek as at the date of the Gastek Interim Financial Statements.
  
- (r) Since the Gastek Interim Financial Statements the business of Gastek has been carried on in its usual and ordinary course and Gastek has not entered into any transaction out of the usual and ordinary course of business.
  
- (s) Since the Gastek Interim Financial Statements there has been no Material Adverse Effect in the capital, business, liabilities, obligations, condition (absolute, accrued, contingent or otherwise), results of operations, financial position, capital or long-term debt, affairs or prospects of Gastek.
  
- (t) KPMG LLP, the auditors of Gastek who audited the Gastek Financial Statements and delivered the audit report with respect to those statements are Public Accountants, independent from Gastek.

- (u) No current or former director, officer, shareholder or employee of the Vendor or Gastek or any person not dealing at arm's length within the meaning of the Tax Act with any such person or with the Vendor or Gastek is indebted to Gastek.
- (v) Gastek has made available to RPS prior to the issuance of the RPS Reserve Report for the purpose of preparing the RPS Reserve Report, all information requested by RPS, which information does not contain any material misrepresentation. Except with respect to changes in the prices of oil and gas, Gastek has no knowledge of a Material Adverse Change in any production, cost, reserves or other relevant information provided to RPS since the date that such information was so provided. Gastek believes that the RPS Reserve Report reasonably presents the quantity and pre-tax present worth values of the oil and gas reserves associated with the crude oil, natural gas liquids and natural gas properties evaluated in such report as at July 31, 2011 based upon information available at the time such reserves information was prepared and the price assumptions contained therein, and Gastek believes that at the date of such report it did not overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom.
- (w) The data and information provided by Gastek to CUB and its agents and representatives is complete and true and correct in all material respects, except where such data or information is expressed by its terms to be at or as at a specified date, such data or information is complete and true and correct in all material respects as of such date.
- (x) Gastek will, during the term of this Agreement, deliver to CUB as soon as they become available true and complete copies of any report or statement filed by it with any Regulatory Authority under Applicable Laws, subsequent to the date hereof. As of their respective dates, such reports and statements will comply in all material respects with all applicable legal requirements including those of any Regulatory Authority under Applicable Laws. The financial statements of Gastek issued by Gastek or to be included in such reports and statements will be prepared in accordance with IFRS and Applicable Laws and will present fairly the financial position, results of operations and changes in financial position of Gastek as of the dates thereof and for the periods indicated therein.
- (y) Neither Gastek nor the Vendor is in material violation of any applicable Environmental Laws.
  - (i) Gastek and the Vendor have operated their respective businesses at all times, and have received, handled, used, stored, treated, shipped and disposed of all contaminants, without material violation of Environmental Laws.
  - (ii) There have been no material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Gastek or the Vendor during the period of their ownership or tenure or under their control during the period in which they have had control.

- (iii) There have been no material releases, deposits or discharges, in material violation of Environmental Laws, of any 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 Gastek or the Vendor.
- (iv) No orders, directions or notices have been issued and remain outstanding or threatened pursuant to any Environmental Laws relating to the business or assets of Gastek and the Vendor other than abandonment and similar notices issued in connection with the normal course of business.
- (v) Gastek and the Vendor hold all material licenses, permits and approvals required under any Environmental Laws in connection with the operation of their respective business and the ownership and use of their assets, and all such licenses, permits and approvals are in full force and effect.
- (vi) Gastek and the Vendor has provided CUB with true and complete copies of all environmental reports, audits and reviews that it has in respect of its assets.
- (z) Gastek and the Vendor have not received notice of any proposed environmental policies or laws which Gastek and the Vendor reasonably believes would have a Material Adverse Effect on any oil and/or gas exploration, development or production operations of Gastek and the Vendor, other than those that apply to the industry generally.
- (aa) Gastek and the Vendor have duly and validly filed in the prescribed manner with all appropriate tax authorities all Tax Returns and elections that they are required to file in respect of any Taxes in respect of any provision in applicable Tax legislation for all fiscal and other reporting periods ending prior to the date hereof, and all of which are true, correct and complete in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments or reassessments with respect thereto have, unless successfully contested, been paid in full and no other Taxes, penalties or interest are payable by Gastek with respect to items or periods covered by such Tax Returns.
- (bb) Gastek has paid or provided adequate accruals in the Gastek Financial Statements for Taxes, including income taxes and related deferred taxes, in conformity with IFRS.
- (cc) Gastek has complied with all registration, reporting, collection and remittance requirements in respect of all applicable federal, provincial, state or local sales Tax legislation.
- (dd) There are no assessments or reassessments of any Taxes that have been issued to Gastek and are outstanding pursuant to which there are any amounts owing. Except as disclosed or reflected in the Gastek Financial Statements, no material deficiencies exist or have been asserted with respect to Taxes of Gastek and Gastek is not a party to any action or proceeding for assessment or collection of

Taxes, nor has such event been asserted or threatened against Gastek or any of its assets. None of the Tax Returns of Gastek have ever been audited by a Taxation Authority, nor, to the knowledge of Gastek, is such audit in process, pending or threatened. Gastek has not executed or filed with any Taxation Authority any agreement extending the period for the filing of any Tax Returns or for the assessment, reassessment or collection of any Taxes.

- (ee) Gastek has not entered into any transactions (including any acquisition or disposition of assets or the receipt or provision of any services) with a Person with whom it did not deal at arm's length for purposes of the Tax Act or any other applicable legislation relating to Taxes where such transactions were not for fair market value consideration and on arm's length terms and conditions.
- (ff) There is not now nor has there ever been a "check the box" election under US Treas. Reg. section 301.7701-3 in effect with respect to Gastek, electing to have Gastek classified as an association taxable as a corporation for US federal tax purposes.
- (gg) Other than Gastek being subject to the California annual minimum franchise tax and the California gross receipts fee on any taxable income that is reportable to California, neither Gastek nor the Vendor (including, without limitation, through the officers, directors, or employees of Gastek or of the Vendor) has engaged in activities in the United States or any State thereof (including, but not limited to, the State of California), that (i) constitute "nexus" or a similar connection, or liability on any other basis, to California or to any other State, for Taxes; (ii) are "effectively connected to" a trade or business in which Gastek or the Vendor is engaged in the United States (within the meaning of Section 882 of the Code or otherwise), which gives rise to Taxes; or (iii) could result in income being subject to taxation by the United States (within the meaning of Section 881 of the Code, or otherwise), the State of California, or any other State.
- (hh) At all times since its formation, Gastek has been owned by the Vendor, Delian Trading Inc. and/or by Parma Limited, a corporation incorporated under the laws of Liberia.
- (ii) For all periods since December 1, 2007, CUB has been furnished by Gastek with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, closing or other agreements received by Gastek or on behalf of Gastek relating to Taxes; and (ii) all pro-forma separate federal, state and provincial income tax returns for Gastek.
- (jj) The board of directors of Gastek, upon consultation with its financial advisors and having received the opinion of such financial advisors that the consideration offered pursuant to the Acquisition is fair, from a financial point of view, to the Gastek members, has determined that the Acquisition is fair to the Gastek members, that the Acquisition is in the best interests of Gastek, has unanimously approved the transactions contemplated in this Agreement and the entering into of this Agreement and, subject to the terms of this Agreement, has resolved to recommend that the Gastek member votes in favour of the Acquisition.

- (kk) All information to be set forth in the Filing Statement (excluding any information therein provided by CUB, as to which Gastek and the Vendor makes no representation) shall be true and complete in all material respects and shall not contain any misrepresentation. The consolidated financial statements of Gastek issued by Gastek or to be included in such Filing Statement will be prepared in accordance with Applicable Laws and IFRS (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Gastek's independent accountants; or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present fairly the financial position, results of operations and changes in financial position of Gastek as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).
- (ll) Gastek:
  - (i) has no defined benefit plans or other similar employee pension benefit plans, and has not made any promises with respect to benefits under such plans;
  - (ii) has no share purchase plans or similar arrangements; and
  - (iii) has no stock option plans or arrangements.
- (mm) Gastek is not a party to any employment agreement or to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.
- (nn) There is not in effect with respect to Gastek, and prior to the Closing Date, Gastek will not implement, any shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Gastek Units or other securities of Gastek or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the completion of any of the transactions contemplated herein.
- (oo) There are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Gastek Units.
- (pp) No proceedings have been taken, are pending or authorized by Gastek or the Vendor or by any other Person in respect of the bankruptcy, insolvency, liquidation or winding up of Gastek.
- (qq) Gastek has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by Gastek and any third parties.

- (rr) Other than with respect to the waiver dated November 11, 2011 with Kulczyk Oil Ventures Limited, there is no non-competition, exclusivity, area of mutual interest or exclusion, standstill or other similar agreement, commitment or understanding in place, whether written or oral, to which Gastek, or any director, officer, employee or consultant or any Affiliate of such persons is a party or is otherwise bound that would now or hereafter, in any way limit the business or operations of Gastek: (i) in a particular manner or to a particular locality or geographic region; or (ii) for a limited period of time.
- (ss) The execution, delivery and performance of this Agreement does not and will not result in the restriction of Gastek from engaging in its business or from competing with any person or in any geographical area and does not and will not result in a Material Adverse Effect on their respective businesses or trigger or cause to arise any rights of any person under any contract or arrangement to restrict any of the foregoing from engaging in the business currently carried on by Gastek.
- (tt) There are no outstanding commitments or required expenditures under any farm-in agreement or farm-out agreement or other third party arrangements in respect of its oil and gas assets to which Gastek is a party.
- (uu) Gastek has conducted and is conducting its businesses in accordance with Good Oilfield Practices and in compliance in all material respects with all Applicable Laws, rules and regulations and, in particular, all applicable licensing, regulations or by-laws or other requirements of any governmental or regulatory bodies applicable to Gastek in each jurisdiction in which it carries on business and each holds all licenses, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business which are necessary or desirable to own assets and carry on its business, as now conducted, and where the failure to do so or be in such compliance would have a Material Adverse Effect on Gastek and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or could reasonably be expected to have any Material Adverse Effect on Gastek.
- (vv) Although it does not warrant title:
  - (i) Gastek has no reason to believe that it does not have the right, subject to Applicable Laws and to applicable title documents, to produce and sell its petroleum and natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the "**Interests**") and represents and warrants that the Interests are free and clear of any material defects, failures or impairments in the title of Gastek to its oil and gas properties and facilities and that there are no gross overriding royalties, encumbrances or other liens or any adverse claims created by, through or under Gastek, except those arising in the ordinary course of business and other than as disclosed to CUB in writing and, to the best of its knowledge after due inquiry, Gastek holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements; and

- (ii) Gastek is not aware of any defects, failures or impairments in the title of Gastek to its oil and gas properties or facilities, 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 Gastek.
- (ww) Gastek does not currently have in place any commodity price hedges, swaps or other financial hedges.
- (xx) Gastek and the Vendor have not withheld from CUB any material information or documents concerning Gastek or the Vendor or their respective assets or liabilities during the course of CUB's review of Gastek, the Vendor and their assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to CUB by Gastek or the Vendor pursuant hereto contains or will contain an untrue statement of a material fact which is necessary to make the statements herein not misleading.
- (yy) Gastek has complied with, performed, observed and satisfied all material terms, duties, covenants, obligations and liabilities which have arisen under any title and operating documents affecting their interests in their assets and Applicable Laws relating to such interests and which are required to be satisfied, performed or observed by Gastek.
- (zz) None of the Gastek Units or Vendor Shares or other securities are the subject of any escrow, voting trust or other similar agreement.
- (aaa) All accounts receivable in any material amount of Gastek are collectible.
- (bbb) No director, officer, insider or other non arm's length party of Gastek is indebted to Gastek.
- (ccc) Other than the fee payable to Canaccord Genuity Corp. in connection with the Acquisition, neither Gastek nor the Vendor is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the corporation or Applicable Laws and other than standard indemnity agreements in underwriting and agency agreements and in the ordinary course provided to its lenders and to service providers and in title documentation applicable to its assets) or any like commitment in respect of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person.
- (ddd) Gastek has not entered into any agreement which would entitle any Person to any valid claim against Gastek for a broker's commission, finders' fee or any like payment in respect of any matters contemplated by this Agreement.
- (eee) Gastek is not a party to any contract or commitment outside the usual and ordinary course of business and has provided copies of all material contracts in effect on the date of this Agreement to CUB.

- (fff) Gastek is not in default or breach of any contract or commitment to which it is a party and there exists no condition, event or act that, with the giving of notice or lapse of time or both, would constitute such a default or breach, and all such contracts and commitments are in good standing and in full force and effect without amendment thereto and Gastek is entitled to all benefits thereunder.
- (ggg) Gastek is not a party to any lease or agreement in the nature of a lease for real property, whether as lessor or lessee.
- (hhh) There is no agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the purchase from Gastek of its business or any of its assets.
- (iii) Gastek now, and at the Time of Closing, own or have the valid rights to use of the Intellectual Property that is material to the conduct of the business of Gastek as currently conducted or as currently proposed to be conducted (and had all rights necessary to carry out its former activities at such time such activities were being conducted) and Gastek has an enforceable right to use all third party Intellectual Property used or held for use in the business of Gastek.
- (jjj) To the knowledge of Gastek, the conduct of the business of Gastek as currently conducted does not infringe or otherwise impair or conflict with any Intellectual Property rights of any third party or any confidentiality obligation owed to a third party, and the Intellectual Property of Gastek which is material to the conduct of the business of Gastek as currently conducted or as currently proposed to be conducted is not, to the knowledge of Gastek, being infringed by any third party.
- (kkk) Gastek does not have any written employment contract with any person whomsoever.
- (lll) The collection, use and retention of the Personal Information by Gastek, the disclosure or transfer of the Personal Information by Gastek to any third parties and transfer of the Personal Information by Gastek to CUB as part of CUB's due diligence and as contemplated by this Agreement or any ancillary agreement complies with all Privacy Laws and is consistent with Gastek's own Privacy Policies.
- (mmm) There are no restrictions on Gastek's collection, use, disclosure and retention of the Personal Information except as provided by Privacy Laws and Gastek's own Privacy Policies.
- (nnn) There are no Claims pending, ongoing, or to the Vendor's knowledge, threatened, with respect to Gastek's collection, use, disclosure or retention of the Personal Information.
- (ooo) No decision, judgment or order, whether statutory or otherwise, is pending or has been made, and no notice has been given pursuant to any Privacy Laws, requiring Gastek to take (or to refrain from taking) any action with respect to the Personal Information.

- (ppp) The corporate records and minute books of Gastek have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.
- (qqq) There is no claim, action, proceeding or investigation pending or, to the knowledge of Gastek, threatened against or relating to Gastek or affecting any of its properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, could reasonably be expected to have a Material Adverse Effect on Gastek, nor is Gastek aware of any basis for any such claim, action, proceeding or investigation. Gastek is not subject to any outstanding order, writ, injunction or decree that has had or could reasonably be expected to have a Material Adverse Effect on Gastek.
- (rrr) Gastek is not conducting its business in any jurisdiction other than in the Ukraine.
- (sss) Gastek is conducting the business of Gastek in material compliance with all Applicable Laws of California and the Ukraine, is not in breach of any such Applicable Laws and is duly licensed, registered or qualified in California and the Ukraine and all jurisdictions thereof in which Gastek carries on its business to enable it to be carried on as now conducted and its assets to be owned, leased and operated, and all such licences, registrations and qualifications are valid and subsisting and in good standing and none of the same contains any term, provision, condition or limitation that has or may have a Material Adverse Effect on the operation of its business or which may be affected by the completion of the transactions contemplated hereby.
- (ttt) Policies of insurance in force as of the date hereof naming Gastek as an insured adequately cover all material risks reasonably and prudently foreseeable in the operation and conduct of the business of Gastek as would be customary in respect of the businesses carried on by Gastek.
- (uuu) No representation or warranty or other statement made by the Vendor in this Agreement contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading.

**(2) KUB-GAS**

To the knowledge of Gastek, the Vendor, Afendikov, Bortnik and Tserni, after due inquiry:

**The Kub-Gas Shares**

- (a) KUB-GAS Holdings is the only legal and beneficial owner of the KUB-GAS Shares;
- (b) The KUB-GAS Shares are fully paid;
- (c) Other than as disclosed in Schedule 3.01(2)(c), there is no Encumbrance in relation to any of the KUB-GAS Shares and there is no agreement to create any Encumbrance over any of the KUB-GAS Shares;

- (d) There is no agreement, arrangement or obligation requiring the allotment, sale, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the sale, transfer, redemption or repayment of, all or part of the KUB-GAS Shares (including an option or right of pre-emption or conversion);

### **Assets**

- (e) KUB-GAS is the legal and beneficial owner of, and holds the K200 Rig, free and clear of any Encumbrances;

### **Constitution**

#### *Intra Vires*

- (f) KUB-GAS has now and since the date of its incorporation always has had the power to carry on its business as conducted at the relevant time;

#### *Charter*

- (g) The charter of KUB-GAS is duly registered, complete, accurate and up-to-date in all respects and none of the activities, agreements, deals, commitments or rights of KUB-GAS are ultra-vires or unauthorized and KUB-GAS has, at all times, carried on its business and affairs in all material respects in accordance with its constitutional documents and Applicable Law;

#### *Corporate Resolutions and Filings*

- (h) The corporate resolutions of KUB-GAS are up to date, in its possession and have been maintained in accordance with the law;
- (i) All resolutions, annual returns and other documents required to be delivered to the Ukrainian company registration authorities, statistics authorities, tax authorities, pension and social security authorities and any other relevant public authority have been properly prepared and filed;

### **Insolvency**

#### *Winding up*

- (j) No order has been made, petition presented or resolution passed for the winding up of KUB-GAS or for the appointment of a provisional liquidator to KUB-GAS, nor has any analogous action been undertaken with respect to KUB-GAS under Applicable Law;

#### *Administration*

- (k) No administration order has been made and no petition for an administration order has been presented in respect of KUB-GAS, nor has any analogous action been undertaken with respect to KUB-GAS under Applicable Law;

#### *Receivership*

- (l) No receiver, receiver and manager, administrative receiver, or any analogous person under Applicable Law has been appointed of the whole or part of KUB-GAS' business or assets;

*Compromises with creditors*

- (m) KUB-GAS has not entered into any compromise or arrangement with its creditors or any class of its creditors generally;

**Claims, Litigation, Compliance with Law**

*Litigation*

- (n) Other than as disclosed in Schedule 3.01(2)(n), KUB-GAS has not been involved in any civil, criminal, arbitration, administrative or other proceeding in any jurisdiction which is material to the operation of its business. KUB-GAS has not received written notice of any civil, criminal, arbitration, administrative or other proceeding in any jurisdiction which is pending or threatened by or against KUB-GAS and which is material to the operation of its business;
- (o) KUB-GAS is not a party to any litigation or arbitration or administrative proceedings or to any dispute in relation to the Licences and Gastek is not aware of any circumstances likely to give rise to any such proceedings or dispute;
- (p) There are no material disputes between any parties to the Licence Documents or any third parties relating to the Licences;

*Insurance*

- (q) There have been no events that have occurred that have reasonable likelihood of giving rise to an insurance claim, in respect of which when all such events are taken in aggregate, would exceed an amount equal to USD \$100,000;
- (r) All insurance that KUB-GAS is required by Applicable Law to maintain is in place. No fact, matter or circumstance has occurred or is in existence which may render such insurance invalid or which may prevent such insurance from being renewed in the ordinary course;
- (s) All material risks normally insured against by companies carrying on similar businesses or owning property of a similar nature to those of KUB-GAS in Ukraine are, and have at all material times been, adequately covered (including liability to employees or third parties for personal injury or loss or damage to property);

*Environment*

- (t) In connection with its activities, KUB-GAS has not received any notice of violation in respect of any Environmental Law which, when taken with all such notices would in aggregate amount to claims or losses exceeding an amount equal to USD\$100,000;
- (u) KUB-GAS has obtained and at all relevant times held all environmental permits, licences, limits and conditions required by Applicable Law and necessary for the material operation of its business. All such permits, licences, limits and conditions are in full force and effect and there are no facts, matters or circumstances which may result in them not being renewed or new permits, licences, limits or conditions not being obtained in the ordinary course;

*Compliance with Law*

- (v) KUB-GAS has conducted its business in all material respects in accordance with applicable legal and administrative requirements of Ukraine;

**Licence Interests**

*Ownership of Interest*

- (w) KUB-GAS is the legal and beneficial owner of the Licences and all property, rights and interests attributable to those Licences under the relevant Licence Documents;
- (x) Except as provided in the Licence Documents, KUB-GAS is able freely to dispose of all petroleum attributable or which may become attributable to those Licences;
- (y) The Licences Documents are all of the permits, licences, consents or authorizations held or obtained by KUB-GAS pursuant to which KUB-GAS has rights to explore, search for, bore for, get, produce, develop or sell petroleum and Gastek has not, by itself or with any other party, made any application for any other such permit, licence, consent or authorization which application is still outstanding;
- (z) Gastek is not a party to any outstanding bidding or area of mutual interest arrangements other than in respect of KUB-GAS and KUB-GAS Holdings as disclosed in writing to CUB;
- (aa) Except as provided in the Licence Documents or as arising in the ordinary course of operations, none of the Licences or wells drilled in the Licence Areas is subject to any Encumbrance or royalty or net production interest or equitable interest, nor is KUB-GAS party to any agreement to create any Encumbrance or royalty or net production interest or equitable interest, over any of the Licences or wells drilled in the Licence Areas;

*Licence Documents*

- (bb) The Licence Documents are in full force and effect and neither KUB-GAS nor any other party to the Licence Documents is in breach of its obligations under any of them in any material respect;
- (cc) No act or omission by KUB-GAS or by any other party to any of the licences has occurred or is about to occur which would entitle the Authority to suspend, revoke, cancel or terminate any of the licences;
- (dd) The Licence Documents are complete and up-to-date copies of all material agreements relating to the Licences to which KUB-GAS is a party, and KUB-GAS is not under any obligation to enter into any further material agreement in relation to the Licences;
- (ee) KUB-GAS has not given or received from any other party to any of the Licences any notice of withdrawal from a licence or of any proposed assignment in whole or in part of its interest in a Licence which notice is still current;

- (ff) None of the Licences is in the course of being surrendered in whole or in part;
- (gg) No sole risk or non-consent operations have been formally proposed or are being carried out by any of the parties to the licences;
- (hh) All obligations and liabilities required to be performed by KUB-GAS pursuant to the Licence Documents have been duly performed and fully budgeted for in the most recent budget applicable to each Licence and all cash calls due and payable by KUB-GAS as at the date of this Agreement have been paid in full;
- (ii) The Authority has not given any indication of its intention to require any works to be carried out in excess of or different from that referred to in the Licences or in any existing development programme or to call for the submission of a further development programme in respect of any Licence.
- (jj) Except as provided in the relevant Licence Documents, KUB-GAS is not under any obligation to make any payments in respect of the Licences except as required pursuant to Applicable Law.
- (kk) No provisions of the Licence Documents suspending or excusing performance of obligations are in operation.
- (ll) All permits, licences, consents, approvals, agreements and certificates required for the carrying out of operations under the Licence Documents have been obtained and complied with and are in full force and effect and there are no circumstances indicating that any of those permits, licences, consents, approvals, agreements or certificates may be suspended, threatened, revoked or not renewed or which may prevent or materially delay the obtaining of any further permits, licences, consents, approvals, agreements or certificates which are necessary for further planned operations under the Licence Documents.

*Abandonment*

- (mm) All wells which have been completed by KUB-GAS in the Licence Areas have been plugged and abandoned in accordance with Good Oilfield Practice and in compliance with all requirements under Applicable Law and the relevant Licence.
- (nn) No payments have been made by KUB-GAS in respect of or on account of or by way of provision (other than accounting provision) for any future abandonment obligations relating to any of the Licences and, except as provided in the Licence Documents:
  - (i) no abandonment agreement has been entered into in relation to the Licences; and
  - (ii) subject to all legislation and regulation, KUB-GAS is not under any obligation to make any such payments.
- (oo) KUB-GAS has not received a notice from the Authority or otherwise pursuant to Applicable Law requiring submission of an abandonment programme in respect of any of the equipment or facilities constructed or utilized in connection with operations carried on pursuant to the Licence Documents.

*Information*

- (pp) KUB-GAS has in its possession or has access to all material data and information relating to the Licences and the Licence Documents and Gastek has made available for inspection by CUB all such material data and information.
- (qq) Gastek has not relinquished possession of or disposed of any interest in such data or information referred to in paragraph (pp), without appropriate authorization and without first obtaining an undertaking of confidentiality (except as may be required by law or court order) and there are no payment or other obligations outstanding in respect of any authorized or unauthorized disclosure.
- (rr) The data and information referred to in paragraph (pp) above is owned by KUB-GAS free from Encumbrances except for any geological information that may have been obtained from the government of Ukraine and which cannot be privatized.
- (ss) KUB-GAS has kept proper and consistent accounts, books and records of its activities conducted under the Licence Documents and those accounts, books and records are substantially up-to-date.

*Operations*

- (tt) KUB-GAS:
  - (i) has continued to act in accordance with Good Oilfield Practice in respect of the Licences;
  - (ii) has in respect of the Licences materially complied with all laws and international conventions applicable to operations conducted under the Licence Documents; and
  - (ii) is not in material breach of any relevant Licence Documents.
- (uu) KUB-GAS has not received any notice given pursuant to any geology, mining control, environmental, health and safety legislation in the Ukraine prohibiting or suspending its activities in respect of the Licences or any Licence Documents.

**Tax**

- (vv) KUB-GAS has always been tax resident in the place of its incorporation (i.e., Ukraine), and has not been tax resident in any other place.
- (ww) KUB-GAS has filed all tax returns, elections, forms, circulations, reports and other prescribed tax filings, and provided all material information, and made all prescribed tax disclosures, and given all notifications to file with the relevant Taxation Authority as required by the Tax Statutes and within the prescribed period.
- (xx) KUB-GAS has paid to the Taxation Authority or other designated authorities all Tax accrued, assessable and/or due for payment as reasonably required by the Tax Statutes and within the prescribed period and KUB-GAS has no outstanding

tax liabilities of any kind whatsoever in excess of an amount equal to USD \$30,000;

- (yy) There are no circumstances of any kind whatsoever by reason of which KUB-GAS is reasonably likely to be assessed, reassessed or become liable to pay any additional Tax (including without limitation interest and/or penalty) in excess of an amount equal to USD \$30,000;
- (zz) KUB-GAS has no pending or, to the best of the Vendor or Gastek's knowledge, expected material dispute, inquiry or investigation with any Taxation Authority;
- (aaa) KUB-GAS has made all deductions and withholdings in respect of or on account of any Tax from all payments made by it, which deductions and withholdings it was required to make under the Tax Statutes, and has accounted for and remitted to the relevant Taxation Authority or other designated authorities all amounts so deducted or withheld;
- (bbb) KUB-GAS has claimed all credits and applied for all benefits in respect of or on account of any Tax that it could legitimately claim or apply for as the case may be under the Tax Statutes in the relevant tax period;
- (ccc) KUB-GAS has not been engaged in any scheme, arrangement, documented or undocumented transaction, series of transactions or other practice whatsoever aimed at evading Tax which could result in any additional Tax being levied upon KUB-GAS;
- (ddd) KUB-GAS neither waived nor extended any statute of limitations established by the Tax Statutes in respect of the assessment of any Tax, and there are no circumstances of any kind whatsoever by reason of which any such statute of limitations could be extended beyond the prescribed period or become ineffective in respect of KUB-GAS.
- (eee) No criminal charges or procedures have been initiated against management of KUB-GAS in connection with the reporting and/or payment of any Tax;
- (fff) No assets of KUB-GAS were pledged or remain pledged in respect of any Tax;
- (ggg) The amount of Tax due by KUB-GAS or outcome of any Tax audit performed by any Taxation Authority have not been impacted by any concession, arrangements, agreement or other formal or informal arrangement with any Taxation Authority;
- (hhh) KUB-GAS has not made or claimed a deduction or credit in respect, or on account, of any Tax, which could, to the best of Gastek's knowledge, be disputed by any Taxation Authority, or could result in any additional Tax being levied on KUB-GAS, or could hold KUB-GAS liable to pay any Tax (including without limitation interest or penalty);
- (iii) No transactions or arrangements involving KUB-GAS have taken place, or are in existence, or are contemplated, which are such that any provision relating to

transfer pricing might be invoked by a Taxation Authority or a customs authority; and

- (jjj) No Tax shall arise for KUB-GAS by virtue (whether alone or in conjunction with any other fact or circumstance) of the entering into and/or completion of this Agreement.

### **(3) KUB-GAS HOLDINGS**

To the knowledge of Gastek, the Vendor, Afendikov, Bortnik and Tserni, after due inquiry:

#### **The KUB-GAS Holdings Shares**

- (a) The KUB-Gas Holdings Shares are fully paid or credited as fully paid;
- (b) There is no Encumbrance in relation to any of the KUB-GAS Holdings Shares and there is no agreement to create any Encumbrance over any of the KUB-GAS Holdings Shares;
- (c) there is no agreement, arrangement or obligation requiring the allotment, sale, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the sale, transfer, redemption or repayment of, all or part of the KUB-GAS Holdings Shares (including an option or right of pre-emption or conversion);
- (d) Gastek is the legal and beneficial owner and holds the KUB-GAS Holdings Shares, free and clear of any Encumbrances;

#### **Constitution**

##### *Intra Vires*

- (e) KUB-GAS Holdings has now and since the date of its incorporation always had the power to carry on its business as conducted at the relevant time;

##### *Memorandum and Articles*

- (f) The memorandum and articles of association of KUB-GAS Holdings are complete and have embodied therein or annexed thereto copies of all resolutions and agreements entered into pursuant to their terms;

##### *Statutory Books and Filings*

- (g) The statutory books of KUB-GAS Holdings are up to date, in its possession and have been maintained in accordance with Cypriot law;
- (h) All resolutions, annual returns and other documents required to be delivered to the Registrar of Companies (or other relevant company authority) have been properly prepared and duly filed;

#### **Insolvency**

##### *Winding up*

- (i) No order has been made, petition presented or resolution passed for the winding up of KUB-GAS Holdings or for the appointment of a provisional liquidator to KUB-GAS Holdings;

*Administration*

- (j) No administration order has been made and no petition for an administration order has been presented in respect of KUB-GAS Holdings;

*Receivership*

- (k) No receiver, liquidator, manager or administrative receiver has been appointed of the whole or part of KUB-GAS Holdings' business or assets;

*Compromises with creditors*

- (l) KUB-GAS Holdings has not entered into any compromise or arrangement with its creditors or any class of its creditors generally;

**Claims, Litigation, Compliance with Law**

*Litigation*

- (m) KUB-GAS Holdings since the date of its incorporation has not been involved in any civil, criminal, arbitration, administrative or other proceeding in any jurisdiction which is material to the operation of its business. KUB-GAS Holdings has not received written notice of any civil, criminal, arbitration, administrative or other proceeding in any jurisdiction which is pending or threatened by or against KUB-GAS Holdings and which is material to the operation of its business;

*Insurance*

- (n) There have been no events that have occurred that have reasonable likelihood of giving rise to an insurance claim;

*Environment*

- (o) In connection with its activities, KUB-GAS Holdings has not received any notice of material violation in respect of any Environmental Law;

*Compliance with Law*

- (p) KUB-GAS Holdings has conducted its business in all material respects in accordance with applicable legal and administrative requirements of Cypriot law; and

*Business of KUB-GAS Holdings*

- (q) KUB-GAS Holdings has not carried on any business, has no assets (other than its interest in KUB-GAS) or liabilities, has no employees and is not a party to any contracts except as disclosed in writing to CUB.

**Tax**

- (a) KUB-GAS Holdings has always been tax resident in the place of its incorporation (i.e., Cyprus), and has not been tax resident in any other place.
- (b) KUB-GAS Holdings has filed all tax returns, elections, forms, circulations, reports and other prescribed tax filings, and provided all material information, and made all prescribed tax disclosures, and given all notifications to file with the relevant Taxation Authority as required by the Tax Statutes and within the prescribed period.
- (c) KUB-GAS Holdings has paid to the Taxation Authority or other designated authorities all Tax accrued, assessable and/or due for payment as reasonably required by the Tax Statutes and within the prescribed period and KUB-GAS Holdings has no outstanding tax liabilities of any kind whatsoever in excess of an amount equal to USD \$30,000;
- (d) There are no circumstances of any kind whatsoever by reason of which KUB-GAS Holdings is reasonably likely to be assessed, reassessed or become liable to pay any additional Tax (including without limitation interest and/or penalty) in excess of an amount equal to USD \$30,000;
- (e) KUB-GAS Holdings has no pending or, to the best of the Vendor or Gastek's knowledge, expected material dispute, inquiry or investigation with any Taxation Authority;
- (f) KUB-GAS Holdings has made all deductions and withholdings in respect of or on account of any Tax from all payments made by it, which deductions and withholdings it was required to make under the Tax Statutes, and has accounted for and remitted to the relevant Taxation Authority or other designated authorities all amounts so deducted or withheld;
- (g) KUB-GAS Holdings has claimed all credits and applied for all benefits in respect of or on account of any Tax that it could legitimately claim or apply for as the case may be under the Tax Statutes in the relevant tax period;
- (h) KUB-GAS Holdings has not been engaged in any scheme, arrangement, documented or undocumented transaction, series of transactions or other practice whatsoever aimed at evading Tax which could result in any additional Tax being levied upon KUB-GAS Holdings;
- (i) KUB-GAS Holdings neither waived nor extended any statute of limitations established by the Tax Statutes in respect of the assessment of any Tax, and there are no circumstances of any kind whatsoever by reason of which any such statute of limitations could be extended beyond the prescribed period or become ineffective in respect of KUB-GAS Holdings.
- (j) No criminal charges or procedures have been initiated against management of KUB-GAS Holdings in connection with the reporting and/or payment of any Tax;
- (k) No assets of KUB-GAS Holdings were pledged or remain pledged in respect of any Tax;

- (l) The amount of Tax due by KUB-GAS Holdings or outcome of any Tax audit performed by any Taxation Authority have not been impacted by any concession, arrangements, agreement or other formal or informal arrangement with any Taxation Authority;
- (m) KUB-GAS Holdings has not made or claimed a deduction or credit in respect, or on account, of any Tax, which could, to the best of Gastek's knowledge, be disputed by any Taxation Authority, or could result in any additional Tax being levied on KUB-GAS Holdings, or could hold KUB-GAS Holdings liable to pay any Tax (including without limitation interest or penalty);
- (n) No transactions or arrangements involving KUB-GAS Holdings have taken place, or are in existence, or are contemplated, which are such that any provision relating to transfer pricing might be invoked by a Taxation Authority or a customs authority; and
- (o) No Tax shall arise for KUB-GAS Holdings by virtue (whether alone or in conjunction with any other fact or circumstance) of the entering into and/or completion of this Agreement.

### 3.02 **Vendor Shareholders' Representations and Warranties**

Each Vendor Shareholder, separately from, and not jointly or jointly and severally with any other Vendor Shareholder (except as to Sections 3.02(6), which representation and warranty shall be made jointly and severally by all of the Vendor Shareholders), represents and warrants to CUB with respect to that Vendor Shareholder only and not with respect to any other Vendor Shareholder (and acknowledges that CUB is relying on such representations and warranties in completing the transactions contemplated hereby) that now and as of the Closing Date:

(1) The Vendor Shareholders have the requisite capacity, power and authority to execute this Agreement and the other agreements and documents required to be delivered by him pursuant hereto and to perform the obligations to which he hereby and thereby becomes subject.

(2) This Agreement has been duly executed and delivered by the Vendor Shareholders, and this Agreement and all other documents executed and delivered on behalf of the Vendor Shareholders pursuant hereto shall constitute valid and binding obligations of the Vendor Shareholders enforceable in accordance with their respective terms and conditions, subject to the qualification that such enforceability may be subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law).

(3) The execution and delivery of this Agreement and the completion of the sale of the Gastek Units to CUB in accordance with the terms of this Agreement are not and will not be in material violation or breach of (including any acceleration of obligations), or be in conflict with or require any material consent, authorization or approval under:

- (a) any material agreement, instrument, undertaking or understanding to which the Vendor Shareholders are a party or by which the Vendor Shareholders are bound; or

(b) any Applicable Law or any judicial order, award, judgment, writ, injunction or decree applicable to the Vendor Shareholders.

(4) The Vendor Shareholders are non-residents of Canada within the meaning of the Tax Act.

(5) Each Vendor Shareholder is the sole beneficial owner of such Vendor Shareholder's respective Vendor Shares and has good and marketable title to the Vendor Shares, free and clear of all Encumbrances. There is no contract, option or other right of another binding upon, or which may at any time in the future become binding upon, such Vendor Shareholders to sell, transfer, assign, pledge, charge, mortgage, or in any other way dispose of or encumber any of such Vendor Shares, other than pursuant to this Agreement. In addition, there are no shareholder agreements, pooling agreements, voting trusts or other similar agreements with respect to any of the Vendor Shares.

(6) There is no unanimous shareholders' agreement governing the rights and obligations of the Vendor Shares.

### 3.03 **CUB's Representations and Warranties**

CUB represents and warrants to Gastek, the Vendor and the Vendor Shareholders (and acknowledges that Gastek, the Vendor and the Vendor Shareholders are relying on such representations and warranties in completing the transactions contemplated thereby) that:

- (a) CUB is a corporation duly continued, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business and has made all necessary filings under all applicable corporate, securities and Taxation Statutes or any other Applicable Laws.
- (b) The authorized capital of CUB consists of an unlimited number of common shares. There are:
  - (i) 79,648,000 CUB Shares issued and outstanding;
  - (ii) 7,224,451 CUB Shares issuable pursuant to the exercise of outstanding CUB Options;
  - (iii) 12,028,866 CUB Shares issuable pursuant to the exercise of 12,028,866 outstanding CUB Warrants; and
  - (iv) 4,490,844 CUB Shares issuable pursuant to the conversion of 4,490,844 outstanding CUB Subscription Receipts.
- (c) All outstanding CUB Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all CUB Shares issuable upon exercise of outstanding CUB Options, CUB Warrants and CUB Subscription Receipts, in accordance with their respective terms will, when issued, be duly authorized and validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights.

- (d) Except as set forth in Section 3.03(b) and except pursuant to this Agreement, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by CUB of any shares in the capital of CUB (including CUB Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares in the capital of CUB (including CUB Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, share price, income or other attribute of CUB.
- (e) The transactions contemplated herein shall not result in an adjustment in the exercise or conversion price or number of securities issuable pursuant to any securities of CUB which are convertible into CUB Shares.
- (f) The rights, privileges, restrictions and conditions attached to the CUB Shares are as set out in Schedule 3.03(f)
- (g) CUB has no Subsidiaries other than Galizien Energy Corp., JSC Tysgaz, 3P International Energy Limited and 3P International Ukraine LLC and does not own any securities issued by, or any equity or ownership interest in any other Persons other than Galizien Energy Corp., JSC Tysgaz, 3P International Energy Limited and 3P International Ukraine LLC.
- (h) All necessary or required corporate measures, proceedings and actions of the directors of CUB have been taken to:
  - (i) authorize and enable CUB to enter into and deliver this Agreement and to perform its obligations hereunder; and
  - (ii) authorize the issuance of CUB Shares by CUB to the Vendor as contemplated by this Agreement.
- (i) CUB has the requisite corporate power, authority and right to enter into this Agreement and all agreements contemplated hereunder and to carry out its obligations hereunder and thereunder including to issue the CUB Shares to the Vendor. The execution and delivery of this Agreement and all agreements contemplated hereunder and the consummation of the transactions contemplated hereby and thereby have been duly authorized by CUB's board of directors, and (except for approvals contemplated by this Agreement) no other corporate proceedings on the part of CUB are or will be necessary to authorize this Agreement or any agreements contemplated hereunder and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by CUB and all agreements contemplated hereunder have been or will be on or before the Closing Date duly executed and delivered by CUB and this Agreement constitutes, and all agreements contemplated hereunder constitute, or will by the Closing Date constitute, the legal, valid and binding obligations of CUB enforceable against CUB in accordance with their respective terms.
- (j) CUB is not in violation of its constating documents or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any note, bond, mortgage, indenture, loan agreement,

deed of trust, agreement, lien, contract or other instrument or obligation to which CUB is a party or to which it, or any of its properties or assets, may be subject or by which CUB is bound, except for such defaults which, individually or collectively, would not result in a Material Adverse Effect.

- (k) Neither the execution and delivery of this Agreement or any other agreements contemplated hereunder by CUB, the consummation of the transactions contemplated hereby and thereby nor compliance by CUB with any of the provisions hereof or thereof will: (i) violate, conflict with, or result in a 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 Encumbrance upon any of the properties or assets of CUB under any of the terms, conditions or provisions of (a) its constating documents or (b) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which CUB is a party or to which any of them, or its properties or assets, may be subject or by which CUB is bound; (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to CUB; or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on CUB.
- (l) Except as set forth in subsection 3.03(b) and except pursuant to this Agreement, there is no contract, option or any other right of another binding upon or which at any time in the future may become binding upon:
  - (i) CUB to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any of the CUB Shares other than pursuant to the provisions of this Agreement;
  - (ii) CUB to allot or issue any of the unissued shares of CUB or to create any additional class of securities; or
  - (iii) CUB or its Subsidiaries to sell, transfer, assign, pledge, mortgage or in any other way dispose of or encumber any of the assets of CUB.
- (m) Except for the consents and approvals contemplated in this Agreement and approvals that have been obtained and other than in the normal course in connection with or in compliance with the provisions of Canadian securities laws and the rules of the TSXV: (i) there is no legal impediment to CUB's consummation of the transactions contemplated by this Agreement or any agreements contemplated hereunder; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by CUB in connection with the making of this Agreement or the consummation of the transactions contemplated by this Agreement or any agreement contemplated hereunder, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on CUB.

- (n) The books and records of CUB and its Subsidiaries are true and correct in all material respects and present fairly and disclose in all material respects the financial position of CUB and its Subsidiaries and all material financial transactions of CUB and its Subsidiaries have been accurately recorded in such books and records and, to the extent possible, such books and records have been prepared in accordance with GAAP consistently applied, and IFRS where applicable.
- (o) The CUB Financial Statements have been prepared in accordance with Canadian GAAP, and IFRS where applicable, and present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of CUB as of the respective dates thereof and the results of operations and cash flows of CUB for the respective financial periods covered thereby.
- (p) CUB and its Subsidiaries have no accrued, contingent or other liabilities of any nature whatsoever and there are no facts, circumstances or events which exist that may give rise to any such liabilities except for (i) liabilities set out or reflected in the CUB Financial Statements, and (ii) normal liabilities that have been incurred by CUB since the date of the CUB Interim Financial Statements in the ordinary course of business and consistent with past practices.
- (q) The financial position of CUB is at least as good as the financial position of CUB as at the CUB Interim Financial Statements.
- (r) Since the CUB Interim Financial Statements, the business of CUB has been carried on in its usual and ordinary course and CUB has not entered into any transaction out of the usual and ordinary course of business.
- (s) Since the CUB Interim Financial Statements there has been no Material Adverse Effect in respect of CUB.
- (t) The auditors of CUB who audited the CUB Financial Statements and delivered the audit report with respect to those statements are Public Accountants in Canada, independent from CUB.
- (u) No current or former director, officer, shareholder or employee of CUB or its Subsidiaries or any person not dealing at arm's length within the meaning of the Tax Act with any such person or with CUB is indebted to CUB.
- (v) CUB has made available to Sproule prior to the issuance of the Sproule Reserve Report for the purpose of preparing the Sproule Reserve Report, all information requested by Sproule, which information does not contain any material misrepresentation. Except with respect to changes in the prices of oil and gas, CUB has no knowledge of a Material Adverse Change in any production, cost, reserves or other relevant information provided to Sproule since the date that such information was so provided. CUB believes that the Sproule Reserve Report reasonably presents the quantity and pre-tax present worth values of the oil and gas reserves associated with the crude oil, natural gas liquids and natural gas properties evaluated in such report as at April 30, 2011 based upon information available at the time such reserves information was prepared and the price assumptions contained therein, and CUB believes that at the date of

such report it did not overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom.

- (w) The data and information provided by CUB to Gastek and its agents and representatives is complete and true and correct in all material respects, except where such data or information is expressed by its terms to be at or as at a specified date, such data or information is complete and true and correct in all material respects as of such date.
- (x) CUB will, during the term of this Agreement, deliver to Gastek as soon as they become available true and complete copies of any report or statement filed by it with any Regulatory Authority under Applicable Laws, subsequent to the date hereof. As of their respective dates, such reports and statements will comply in all material respects with all applicable legal requirements including those of any Regulatory Authority under Applicable Laws. The financial statements of CUB issued by CUB or to be included in such reports and statements will be prepared in accordance with GAAP in Canada, and IFRS where applicable, and Applicable Laws and will present fairly the financial position, results of operations and changes in financial position of CUB as of the dates thereof and for the periods indicated therein.
- (y) CUB and its Subsidiaries are not in material violation of Environmental Laws.
  - (i) CUB and its Subsidiaries have operated its businesses at all times, and has received, handled, used, stored, treated, shipped and disposed of all contaminants, without material violation of Environmental Laws.
  - (ii) There have been no material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by CUB or its Subsidiaries during the period of its ownership or tenure or under its control during the period in which it had control.
  - (iii) There have been no material releases, deposits or discharges, in material violation of Environmental Laws, of any 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 CUB or its Subsidiaries.
  - (iv) No orders, directions or notices have been issued and remain outstanding or threatened pursuant to any Environmental Laws relating to the business or assets of CUB and its Subsidiaries other than abandonment and similar notices issued in connection with the normal course of business.
  - (v) CUB and its Subsidiaries hold all material licenses, permits and approvals required under any Environmental Laws in connection with the operation of their respective business and the ownership and use of its assets, and all such licenses, permits and approvals are in full force and effect.

- (vi) CUB and its Subsidiaries have provided Gastek with true and complete copies of all environmental reports, audits and reviews that it has in respect of its assets.
- (z) Neither CUB nor its Subsidiaries has received notice of any proposed environmental policies or laws which CUB or its Subsidiaries reasonably believes would have a Material Adverse Effect on any oil and/or gas exploration, development or production operations of CUB, other than those that apply to the industry generally.
- (aa) CUB has duly and validly filed in the prescribed manner with all appropriate tax authorities all Tax Returns and elections that it is required to file in respect of any Taxes in respect of any provision in applicable Tax legislation for all fiscal and other reporting periods ending prior to the date hereof, and all of which are true, correct and complete in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments or reassessments with respect thereto have, unless successfully contested, been paid in full and no other Taxes, penalties or interest are payable by CUB with respect to items or periods covered by such Tax Returns.
- (bb) CUB has paid or provided adequate accruals in the CUB Financial Statements for Taxes, including income taxes and related deferred taxes, in conformity with GAAP applicable in Canada.
- (cc) CUB has complied with all registration, reporting, collection and remittance requirements in respect of all applicable federal, provincial, state or local sales Tax legislation.
- (dd) There are no assessments or reassessments of any Taxes that have been issued to CUB and are outstanding pursuant to which there are any amounts owing. Except as disclosed or reflected in the CUB Financial Statements, no material deficiencies exist or have been asserted with respect to Taxes of CUB and CUB is not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against CUB or any of its assets. Except as disclosed in Schedule 3.03(dd), none of the Tax Returns of CUB have ever been audited by a Taxation Authority, nor, to the knowledge of CUB, is such audit in process, pending or threatened. CUB has not executed or filed with any Taxation Authority any agreement extending the period for the filing of any Tax Returns or for the assessment, reassessment or collection of any Taxes.
- (ee) CUB and its Subsidiaries have not entered into any transactions (including any acquisition or disposition of assets or the receipt or provision of any services) with a Person with whom it did not deal at arm's length for purposes of the Tax Act or any other applicable legislation relating to Taxes where such transactions were not for fair market value consideration and on arm's length terms and conditions.
- (ff) For all periods since incorporation, Gastek and the Vendor has been furnished by CUB with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, closing or other agreements received

by CUB or on behalf of CUB relating to Taxes; and (ii) all pro-forma separate federal, state and provincial income tax returns for CUB.

- (gg) The board of directors of CUB, upon consultation with its financial advisors and having received the opinion of such financial advisors that the consideration offered pursuant to the Acquisition is fair, from a financial point of view, to the CUB Shareholders, has determined that the Acquisition is fair to the CUB Shareholders, that the Acquisition is in the best interests of CUB, has unanimously approved the transactions contemplated in this Agreement and the entering into of this Agreement and, subject to the terms of this Agreement, has resolved to recommend that the CUB Shareholders vote in favour of the Acquisition.
- (hh) All information to be set forth in the Filing Statement (excluding any information therein provided by Gastek or the Vendor, as to which CUB makes no representation) shall be true and complete in all material respects and shall not contain any misrepresentation. The consolidated financial statements of CUB issued by CUB or to be included in such Filing Statement will be prepared in accordance with Applicable Laws and GAAP in Canada, and IFRS where applicable (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of CUB's independent auditors; or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present fairly the financial position, results of operations and changes in financial position of CUB as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).
- (ii) CUB:
  - (i) has no defined benefit plans or other similar employee pension benefit plans, and has not made any promises with respect to benefits under such plans;
  - (ii) has no share purchase plans or similar arrangements; and
  - (iii) has no stock option plans or arrangements other than the CUB Stock Option Plan.
- (jj) Other than as disclosed in Schedule 3.03(jj), CUB and its Subsidiaries are not a party to any employment agreement or to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.
- (kk) There is not in effect with respect to CUB, and prior to the Closing Date, CUB will not implement, any shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire CUB Shares or other securities of CUB or rights, entitlements or privileges in favour

of any person upon the entering into of this Agreement or the completion of any of the transactions contemplated herein.

- (ll) There are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the CUB Shares.
- (mm) No proceedings have been taken, are pending or authorized by CUB or by any other Person in respect of the bankruptcy, insolvency, liquidation or winding up of CUB.
- (nn) CUB has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by CUB and any third parties.
- (oo) There is no non-competition, exclusivity, area of mutual interest or exclusion, standstill or other similar agreement, commitment or understanding in place, whether written or oral, to which CUB, its Subsidiaries, or any director, officer, employee or consultant or any Affiliate of such persons is a party or is otherwise bound that would now or hereafter, in any way limit the business or operations of CUB: (i) in a particular manner or to a particular locality or geographic region; or (ii) for a limited period of time.
- (pp) The execution, delivery and performance of this Agreement does not and will not result in the restriction of CUB or its Subsidiaries from engaging in its business or from competing with any person or in any geographical area and does not and will not result in a Material Adverse Effect on their respective businesses or trigger or cause to arise any rights of any person under any contract or arrangement to restrict any of the foregoing from engaging in the business currently carried on by CUB.
- (qq) There are no outstanding commitments or required expenditures under any farm-in agreement or farm-out agreement or other third party arrangements in respect of its oil and gas assets to which CUB is a party.
- (rr) CUB and its Subsidiaries have conducted and are conducting their businesses in accordance with Good Oilfield Practices and in compliance in all material respects with all Applicable Laws, rules and regulations and, in particular, all applicable licensing, regulations or by-laws or other requirements of any governmental or regulatory bodies applicable to CUB and its Subsidiaries in each jurisdiction in which they carry on business and each holds all licenses, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to own assets and carry on their respective business, as now conducted, and where the failure to do so or be in such compliance would have a Material Adverse Effect on CUB and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or could reasonably be expected to have any Material Adverse Effect on CUB.
- (ss) Although it does not warrant title:

- (i) CUB and its Subsidiaries have no reason to believe that they do not have the right, subject to Applicable Laws and to applicable title documents, to produce and sell petroleum and natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the "**Interests**") and represents and warrants that the Interests are free and clear of any material defects, failures or impairments in the title of CUB and its Subsidiaries to its oil and gas properties and facilities and that there are no gross overriding royalties, encumbrances or other liens or any adverse claims created by, through or under CUB and its Subsidiaries, except those arising in the ordinary course of business and other than as disclosed to Gastek and the Vendor in writing and, to the best of its knowledge after due inquiry, CUB and its Subsidiaries holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements; and
- (ii) CUB and its Subsidiaries are not aware of any defects, failures or impairments in the title of CUB and its Subsidiaries to their oil and gas properties or facilities, 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 CUB and its Subsidiaries.
- (tt) CUB does not currently have in place any commodity price hedges, swaps or other financial hedges.
- (uu) CUB has not withheld from the Vendor or Gastek any material information or documents concerning CUB, its Subsidiaries or its assets or liabilities during the course of Gastek's and the Vendor's review of CUB, its Subsidiaries and their assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to the Vendor or Gastek by CUB or its Subsidiaries pursuant hereto contains or will contain an untrue statement of a material fact which is necessary to make the statements herein not misleading.
- (vv) CUB has, and its Subsidiaries have, complied with, performed, observed and satisfied all material terms, duties, covenants, obligations and liabilities which have arisen under any title and operating documents affecting their interests in their assets and Applicable Laws relating to such interests and which are required to be satisfied, performed or observed by CUB and its Subsidiaries.
- (ww) Other than as disclosed in Schedule 3.03(ww), none of the CUB Shares or other securities are the subject of any escrow, voting trust or other similar agreement.
- (xx) All accounts receivable in any material amount of CUB are collectible.
- (yy) No director, officer, insider or other non arm's length party of CUB is indebted to CUB.
- (zz) CUB is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the

by-laws of the respective corporation or Applicable Laws and other than standard indemnity agreements in underwriting and agency agreements and in the ordinary course provided to its lenders and to service providers and in title documentation applicable to its assets) or any like commitment in respect of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person.

- (aaa) CUB has not entered into any agreement which would entitle any Person to any valid claim against CUB for a broker's commission, finders' fee or any like payment in respect of any matters contemplated by this Agreement.
- (bbb) CUB and its Subsidiaries are not a party to any contract or commitment outside the usual and ordinary course of business and they have provided copies of all material contracts to Gastek and the Vendor.
- (ccc) CUB and its Subsidiaries are not in default or breach of any contract or commitment to which it is a party and there exists no condition, event or act that, with the giving of notice or lapse of time or both, would constitute such a default or breach, and all such contracts and commitments are in good standing and in full force and effect without amendment thereto and CUB and its Subsidiaries are entitled to all benefits thereunder.
- (ddd) Other than as disclosed in Schedule 3.03(ddd), CUB and its Subsidiaries are not a party to any lease or agreement in the nature of a lease for real property, whether as lessor or lessee.
- (eee) There is no agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the purchase from CUB or its Subsidiaries of its business or any of its assets.
- (fff) CUB now, and at the Time of Closing, will own or have the valid rights to use of the Intellectual Property that is material to the conduct of the business of CUB as currently conducted or as currently proposed to be conducted (and had all rights necessary to carry out its former activities at such time such activities were being conducted) and CUB has an enforceable right to use all third party Intellectual Property used or held for use in the business of CUB.
- (ggg) To the knowledge of CUB, the conduct of the business of CUB as currently conducted does not infringe or otherwise impair or conflict with any Intellectual Property rights of any third party or any confidentiality obligation owed to a third party, and the Intellectual Property of CUB which is material to the conduct of the business of CUB as currently conducted or as currently proposed to be conducted is not, to the knowledge of CUB, being infringed by any third party.
- (hhh) CUB is not a party to or bound by any contract or commitment to pay any management or consulting fee except as disclosed in Schedule 3.03(hhh).
- (iii) CUB does not have any written employment contract with any person whomsoever, except as disclosed in Schedule 3.03(iii).

- (jjj) CUB is not bound by or a party to any collective bargaining agreement.
- (kkk) No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent:
  - (i) holds bargaining rights with respect to any employees of CUB by way of certification, interim certification, voluntary recognition, designation or successor rights;
  - (ii) has applied to be certified as the bargaining agent of any employees of CUB; or
  - (iii) has applied to have CUB declared a related employer or successor employer pursuant to applicable labour legislation.
- (lll) There are no actual, threatened or pending organizing activities of any trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent or any actual, threatened or pending unfair labour practice complaints, strikes, work stoppages, picketing, lock-outs, hand-billings, boycotts, slowdowns, arbitrations, grievances, complaints, charges or similar labour related disputes or proceedings pertaining to CUB, and there have not been any such activities or disputes or proceedings within the last year.
- (mmm) All vacation pay for employees of CUB is properly reflected and accrued in the books and accounts of CUB.
- (nnn) Since the CUB Interim Financial Statements, except in the ordinary course of business or as required by law and consistent with CUB's past practices, there have been no increases or decreases in staffing levels of CUB and there have been no changes in the terms and conditions of employment of any employees of CUB, including their salaries, remuneration and any other payments to them, and there have been no changes in any remuneration payable or benefits provided to any officer, director, consultant, independent or dependent contractor or agent of CUB, and CUB has not agreed or otherwise become committed to change any of the foregoing since that date.
- (ooo) CUB is employing all employees of CUB in compliance with all applicable Taxation, health, labour and employment laws, rules, regulations, notices, and orders.
- (ppp) CUB is in compliance with all provisions of the *Occupational Health and Safety Act* (Ontario) and regulations made pursuant thereto and there are no outstanding Claims, charges or orders thereunder.
- (qqq) CUB is in compliance with applicable workers' compensation laws and regulations made pursuant thereto and there are no outstanding assessments, levies or penalties thereunder.
- (rrr) The collection, use and retention of the Personal Information by CUB, the disclosure or transfer of the Personal Information by CUB to any third parties and transfer of the Personal Information by CUB to Gastek and the Vendor as

part of Gastek and the Vendor's due diligence and as contemplated by this Agreement or any ancillary agreement complies with all Privacy Laws and is consistent with CUB's own Privacy Policies.

- (sss) There are no restrictions on CUB's collection, use, disclosure and retention of the Personal Information except as provided by Privacy Laws and CUB's own Privacy Policies.
- (ttt) There are no Claims pending, ongoing, or to CUB's knowledge, threatened, with respect to CUB's collection, use, disclosure or retention of the Personal Information.
- (uuu) No decision, judgment or order, whether statutory or otherwise, is pending or has been made, and no notice has been given pursuant to any Privacy Laws, requiring CUB to take (or to refrain from taking) any action with respect to the Personal Information.
- (vvv) The corporate records and minute books of CUB have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.
- (www) Equity Transfer & Trust Company at its office in Toronto, Ontario, has been duly appointed as the transfer agent and registrar for all of the outstanding CUB Shares.
- (xxx) There is no claim, action, proceeding or investigation pending or, to the knowledge of CUB threatened against or relating to CUB or its Subsidiaries or affecting any of their respective properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, could reasonably be expected to have a Material Adverse Effect on CUB, nor is CUB aware of any basis for any such claim, action, proceeding or investigation. Neither CUB nor its Subsidiaries are subject to any outstanding order, writ, injunction or decree that has had or could reasonably be expected to have a Material Adverse Effect on CUB.
- (yyy) CUB and its Subsidiaries are not conducting its business in any jurisdiction other than in Canada, Cyprus and the Ukraine.
- (zzz) CUB and its Subsidiaries are conducting the business of CUB in material compliance with all Applicable Laws of Canada and the Ukraine, are not in breach of any such Applicable Laws and are duly licensed, registered or qualified in Canada and the Ukraine and all jurisdictions thereof in which CUB and its Subsidiaries carry on their respective businesses to enable them to be carried on as now conducted and their assets to be owned, leased and operated, and all such licences, registrations and qualifications are valid and subsisting and in good standing and none of the same contains any term, provision, condition or limitation that has or may have a Material Adverse Effect on the operation of their businesses or which may be affected by the completion of the transactions contemplated hereby.

- (aaaa) Policies of insurance in force as of the date hereof naming CUB as an insured adequately cover all material risks reasonably and prudently foreseeable in the operation and conduct of the business of CUB as would be customary in respect of the businesses carried on by CUB.
- (bbbb) No representation or warranty or other statement made by CUB in this Agreement contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading.
- (cccc) Upon Closing, the CUB Shares to be issued to the Vendor pursuant to this Agreement will be duly authorized, validly allotted and issued as fully paid and non-assessable CUB Shares, in compliance with applicable corporate and securities laws.
- (dddd) CUB is a “reporting issuer” (as such term is defined under the Securities Act, the *Securities Act* (Alberta) and in the *Securities Act* (British Columbia)) in British Columbia, Alberta and Ontario.
- (eeee) As of the date hereof, CUB is not noted in default under the list of reporting issuers maintained by the Alberta Securities Commission, and CUB's name does not appear on a list of defaulting reporting issuers maintained by the British Columbia Securities Commission and the Ontario Securities Commission.
- (ffff) No “reportable event” as defined in National Instrument 51-102 – *Continuous Disclosure Obligations* has occurred with respect to CUB.
- (gggg) None of the materials filed by, or on behalf of, CUB with the applicable securities regulators and the TSXV contain a misrepresentation or omit to state a material fact as at the date of such filing, which has not been corrected.

#### **ARTICLE 4 - COVENANTS**

##### **4.01 Taxes**

CUB does not assume and will not be liable for any Taxes which may be or become payable by the Vendor including any Taxes resulting from or arising as a consequence of the sale by the Vendor to CUB of the Gastek Units herein contemplated, and the Vendor will indemnify and save harmless CUB and the directors, officers, employees and agents of CUB from and against all such Taxes.

##### **4.02 Covenants of Gastek, the Vendor and the Vendor Shareholders**

- (1) Except as otherwise contemplated by this Agreement or consented to in writing by CUB, from the date of this Agreement until Closing, the Vendor will and each Vendor Shareholder will use its commercially reasonable efforts to, ensure that Gastek will:
  - (a) carry on its business in the usual and ordinary course, consistent with past practice provided all acts and proceedings taken by Gastek in the management and operation of its business involving a commitment in excess of \$25,000 and/or any payment in excess of \$25,000 made by Gastek will be subject to the prior approval of CUB, which approval will not be unreasonably withheld;

- (b) use all commercially reasonable efforts to preserve intact its business, organization and goodwill, to keep available the employees of its business as a group and to maintain satisfactory relationships with Persons whom Gastek has business relationships;
- (c) use all commercially reasonable efforts to cause its current insurance policies not to be cancelled or terminated or any other coverage thereunder to lapse, unless simultaneously with such terminations, cancellation or lapse, replacement policies underwritten by insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies, and where possible, for substantially similar premiums, are in full force and effect;
- (d) promptly advise CUB in writing of the occurrence of any Material Adverse Effect in respect of Gastek or of any facts that come to their attention which would cause any of Gastek's, the Vendor's or the Vendor Shareholders' representations and warranties herein contained to be untrue in any respect; and
- (e) maintain the books, records and accounts of Gastek in the usual and ordinary course, consistent with past practice and record all transactions on a basis consistent with that practice.

(2) Gastek, the Vendor and each Vendor Shareholder will ensure that the representations and warranties of Gastek, the Vendor and each of the Vendor Shareholders, respectively, set out in Sections 3.01 and 3.02, respectively, over which Gastek and the Vendor and the Vendor Shareholders, as the case may be, has reasonable control are true and correct at the Time of Closing and that the conditions of closing for the benefit of CUB set out in Section 5.01 over which Gastek, the Vendor and the Vendor Shareholders has reasonable control have been performed or complied with by the Time of Closing.

(3) Gastek, the Vendor and each Vendor Shareholder shall use its commercially reasonable efforts to obtain from its directors, shareholders and all appropriate Governmental Authorities such approvals, permits or consents as are required (if any) to complete the transactions completed herein including without limitation, the AMC Consent.

(4) Gastek will maintain its corporate status and comply with all applicable corporate and securities laws and requirements (including any applicable filing requirements) prior to the Time of Closing.

(5) Gastek shall use its commercially reasonable efforts to assist CUB in obtaining the regulatory approvals of the Securities Authorities for the Acquisition and the listing on the TSXV of the CUB Shares issuable pursuant to this Agreement.

(6) Gastek shall use its commercially reasonable efforts to assist CUB in obtaining the consent of the CUB Shareholders for the Acquisition as required by the TSXV policies and applicable corporate and securities laws.

#### 4.03 **Examination of Records and Assets**

The Vendor will forthwith cause Gastek to make available to CUB and its authorized representatives all data bases recorded or stored by means of any device, including in electronic form, title documents, abstracts of title, deeds, surveys, leases, certificates of trademarks and copyrights, contracts

and commitments in its possession or under its control relating to any of Gastek, its assets or business. The Vendor will cause Gastek to forthwith make available to CUB and its authorized representatives for examination all books of account, financial statements and accounting records relating to Gastek. The Vendor will cause Gastek to give CUB and its authorized representatives every reasonable opportunity to have access to and to inspect the assets of Gastek. The exercise of any rights of access or inspection by or on behalf of CUB under this Section 4.03 will not affect or mitigate the covenants, representations and warranties of the Vendor in this Agreement which will continue in full force and effect.

4.04            **Covenants of CUB**

(1)        Except as otherwise contemplated by this Agreement or consented to in writing by Gastek, the Vendor and the Vendor Shareholders, from the date of this Agreement until Closing, CUB will:

- (a)        carry on its business in the usual and ordinary course, consistent with past practice provided all acts and proceedings taken by CUB in the management and operation of its business involving a commitment in excess of \$25,000 and/or any payment in excess of \$25,000 made by CUB will be subject to the prior approval of Gastek, the Vendor and the Vendor Shareholders, which approval will not be unreasonably withheld;
- (b)        use all commercially reasonable efforts to preserve intact its business, organization and goodwill, to keep available the employees of its business as a group and to maintain satisfactory relationships with suppliers, distributors, customers and others with whom CUB has business relationships;
- (c)        use all commercially reasonable efforts to cause its current insurance policies not to be cancelled or terminated or any other coverage thereunder to lapse, unless simultaneously with such terminations, cancellation or lapse, replacement policies underwritten by insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies, and where possible, for substantially similar premiums, are in full force and effect;
- (d)        file articles of amendment to change its name to “Cub Energy Inc.”;
- (e)        promptly advise Gastek in writing of the occurrence of any Material Adverse Effect in respect of CUB or of any facts that come to its attention which would cause any of CUB’s representations and warranties herein contained to be untrue in any respect; and
- (f)        maintain the books, records and accounts of CUB in the usual and ordinary course, consistent with past practice and record all transactions on a basis consistent with that practice.

(2)        CUB will ensure that the representations and warranties of CUB set forth in Sections 3.03 are true and correct at the Time of Closing and that the conditions of closing for the benefit of Gastek, the Vendor and the Vendor Shareholders set forth in Section 5.03 have been performed or complied with by the Time of Closing.

(3) CUB shall use its commercially reasonable efforts to obtain from its directors, shareholders and all appropriate Governmental Authorities such approvals, permits or consents as are required (if any) to complete the transactions contemplated herein.

(4) CUB will maintain its corporate status and comply with all applicable corporate and securities laws and requirements (including any applicable filing requirements) prior to the Time of Closing.

(5) CUB shall use its commercially reasonable efforts to obtain the regulatory approvals of the Securities Authorities for the Acquisition and the listing on the TSXV of the CUB Shares issuable pursuant to this Agreement. In that regard, CUB shall provide the Vendor and Gastek with all communications sent to or received from the TSXV or any Securities Authorities in connection with the Acquisition.

(6) CUB shall use its commercially reasonable efforts to obtain the consent of the CUB Shareholders for the Acquisition as required by the TSXV policies and applicable corporate and securities laws.

(7) CUB, with the assistance of the Vendor and Gastek, shall use commercially reasonable efforts to finalize the Filing Statement together with any documents required by applicable securities and corporate laws, and CUB shall cause the Filing Statement to be filed as required by Applicable Laws as soon as reasonably practicable.

(8) CUB shall retain a sponsor in accordance with the TSXV policies for the transactions contemplated herein.

#### 4.05 **Mutual Covenants**

(1) CUB, Gastek and the Vendor shall cooperate in the preparation of all applications for all approvals and the preparation of any other documents and taking of all actions reasonably deemed by CUB, Gastek and the Vendor, as the case may be, necessary to discharge their respective obligations under Applicable Laws in connection with the Acquisition and all other matters contemplated in the Filing Statement and this Agreement. In this regard:

- (a) each of CUB, Gastek and the Vendor shall furnish to the other all such information concerning it and its shareholders, as may be required to effect the transactions contemplated by this Agreement;
- (b) each of CUB, Gastek and the Vendor covenant that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the transaction contemplated in this Agreement, will, to the best of its knowledge contain any untrue statement of a material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is furnished or to be used;
- (c) each of CUB, Gastek and the Vendor shall promptly notify the other if at any time before the Closing Date it becomes aware that the Filing Statement contains any untrue statement or a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or

that otherwise requires an amendment or supplement to the Filing Statement;  
and

- (d) CUB, the Vendor and Gastek shall cooperate in the preparation of a supplement or amendment to the Filing Statement, as required and as the case may be, and, if required, shall cause the same to be distributed to the CUB Shareholders, the Vendor, the Vendor Shareholders and Gastek and/or filed with Securities Authorities.

(2) From the date hereof until the earlier of the Closing Date or the termination of this Agreement, each Party shall promptly notify the other Parties in writing of:

- (a) any material change (actual, anticipated, contemplated or, to the best of the knowledge of such Party, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of such Party;
- (b) any change in fact relating to any applicable representation or warranty set out in this Agreement, as applicable, which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or
- (c) any material fact which arises and which would have been required to be stated herein had the fact arisen on or prior to the date of this Agreement.

Each of the Parties shall in good faith discuss with the other any change in circumstances (actual, anticipated, contemplated or threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need be given to the other pursuant to this Section 4.05(2).

(3) Each of the Parties shall use all commercially reasonable efforts to consummate the transactions contemplated by this Agreement and all matters described in the Filing Statement.

(4) Each of the Parties shall use all commercially reasonable efforts to ensure that, at the Time of Closing, unless otherwise agreed to between CUB and Gastek:

- (a) the board of directors of CUB is reconstituted to consist of five members being Steve VanSickle, Gregory Cameron, Robert Hodgins, Mikhail Afendikov and Robert Bensch; and
- (b) the officers of CUB will be as follows:
  - (i) Robert Bensch, Chairman, President and Chief Executive Officer;
  - (ii) Mikhail Afendikov, Vice Chairman; and
  - (iii) Wally Rudensky, Chief Financial Officer.

(5) Subject to the terms and conditions of this Agreement and subject to fiduciary obligations under Applicable Laws, use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Acquisition contemplated by this Agreement and to

cooperate with each other in connection with the foregoing, including, as applicable, using commercially reasonable efforts:

- (a) to obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts and agreements;
- (b) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;
- (c) 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 Acquisition contemplated hereby; and
- (d) to effect all necessary registrations and other filings and submissions of information requested by any Governmental Authority.

## **ARTICLE 5 - CONDITIONS AND TERMINATION**

### **5.01 Mutual Conditions Precedent**

The transactions contemplated herein are subject to the following conditions to be fulfilled or performed on or prior to the Closing Date, which conditions are for the mutual benefit of CUB, Gastek, the Vendor and the Vendor Shareholders and may be waived by the Parties, jointly, in writing:

- (a) the receipt of all shareholder and corporate approvals and compliance with all Applicable Laws, regulatory requirements and conditions in connection with the Acquisition having been satisfied or waived;
- (b) each party obtaining all third party consents and waivers of rights of first refusals as may be required and obtaining all required governmental and regulatory approvals (including the conditional acceptance of the Acquisition by the TSXV and conditional listing on the TSXV of the CUB Shares) and/or expiration of regulatory waiting periods (including approval of the Ukraine Anti-Monopoly Committee), on terms and conditions acceptable to Gastek and CUB, each acting reasonably.
- (c) no court or other governmental entity shall have enacted, issued, promulgated or enforced any statute, rule, regulation, injunction, or other order which shall have the effect of restraining or prohibiting the completion of the transactions contemplated hereby, and no suit, action, proceeding, or investigation by any such agency or authority or any other person shall be pending or threatened which seeks to restrain the consummation of, or challenges the validity or legality of, the transactions contemplated hereby.

### **5.02 Conditions for the Benefit of CUB**

The sale by the Vendor and the purchase by CUB of the Gastek Units is subject to the following conditions, which are for the exclusive benefit of CUB and which are to be performed or complied with at or prior to the Time of Closing (or such earlier time as indicated below), and may be waived, in whole or in part, by CUB in its sole discretion:

- (a) the representations and warranties of the Vendor, Gastek and the Vendor Shareholders set forth in Section 3.01 and 3.02, respectively, will be true and correct in all material respects and for this purpose all materiality qualifications in such representations and warranties will be disregarded at the Time of Closing with the same force and effect as if made at and as of such time;
- (b) receipt of a favourable fairness opinion rendered by CUB's financial advisors acceptable to CUB's board of directors, acting reasonably;
- (c) the Vendor, Gastek and the Vendor Shareholders will have performed or complied with, in all material respects, all of the obligations and covenants and conditions of this Agreement to be performed or complied with by the Vendor, Gastek and the Vendor Shareholders, respectively, at or prior to the Time of Closing;
- (d) CUB will be furnished with such certificates or other instruments of Gastek, the Vendor or the Vendor Shareholders, or of officers of Gastek and of the Vendor as CUB or CUB's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with in all material respects by Gastek or the Vendor or the Vendor Shareholders at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of Gastek or the Vendor and the Vendor Shareholders herein given are true and correct at the Time of Closing in all material respects;
- (e) there will have been obtained from all appropriate Governmental Authorities such other approvals or consents as are required to permit the change of ownership of the Gastek Units contemplated hereby and to permit the business of Gastek to be carried on as now conducted;
- (f) no action or proceeding will be pending or threatened by any person to enjoin, restrict or prohibit:
  - (i) the sale and purchase of the Gastek Units contemplated hereby; or
  - (ii) the right of Gastek to conduct the business of Gastek;
- (g) no Material Adverse Change has occurred, or is reasonably expected to occur, in respect of the business, operations or capital of Gastek from the date hereof to the Time of Closing;
- (h) at the Time of Closing, each of the directors and officers of Gastek specified by CUB shall have executed resignations and releases, in a form and substance satisfactory to CUB;
- (i) the Vendor, the Vendor Shareholders and all directors and officers of Gastek will release Gastek from any and all possible Claims against Gastek arising from any act, matter or thing arising at or prior to the Time of Closing;
- (j) all necessary steps and proceedings will have been taken to permit the Gastek Units to be duly and regularly transferred to and registered in the name of CUB;

- (k) the Vendor will have delivered to CUB a favourable opinion of the Vendor and Gastek's counsel;
- (l) no action, suit or proceeding is threatened or taken, and no law, regulation, policy, judgment, decision, order, ruling or directive is proposed, enacted, promulgated, amended or applied, which in the sole judgment of CUB, acting reasonably, is or would result in a Material Adverse Change in the business, operations or capital of Gastek or would have a Material Adverse Effect on the ability of the Parties to complete the Acquisition;
- (m) not more than (a) 100 Gastek Units and (b) nil options, warrants or rights to purchase Gastek Units are outstanding;
- (n) Gastek does not have any, nor will it enter into any change of control agreements with its directors, officers or employees;
- (o) the Vendor will have delivered to CUB satisfactory agreements of indemnity and directors' and officers' insurance being in place for former directors and officers of Gastek;
- (p) CUB shall be satisfied, in its sole discretion, acting reasonably, with the results of its due diligence investigation into the business, operations and affairs of Gastek which due diligence investigation shall be completed on or before January 27, 2011 (the "**Due Diligence Deadline**") and failure to provide written notice to Gastek by the Due Diligence Deadline shall mean CUB is satisfied with its due diligence investigation such that this condition does not survive past the Due Diligence Deadline; and
- (q) the form and legality of all matters incidental to the sale by the Vendor and the purchase by CUB of the Gastek Units will be subject to the approval of CUB's counsel, acting reasonably.

5.03 **Conditions for the Benefit of Gastek, the Vendor and Vendor Shareholders**

The sale by the Vendor and the purchase by CUB of the Gastek Units is subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:

- (a) the representations and warranties of CUB set forth in Section 3.03 will be true and correct in all material respects and for this purpose all materiality qualifications in such representations and warranties will be disregarded at the Time of Closing with the same force and effect as if made at and as of such time;
- (b) CUB will have performed or complied with, in all material respects, all of the obligations and covenants and conditions of this Agreement to be performed or complied with by CUB at or prior to the Time of Closing;
- (c) the Vendor will be furnished with such certificates or other instruments of CUB or of officers of CUB as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the obligations and covenants

contained in this Agreement to have been performed or complied with by CUB at or prior to the Time of Closing have been performed or complied with in all material respects and that the representations and warranties of CUB herein given are true and correct at the Time of Closing in all material respects;

- (d) the board of directors of CUB continues to (a) unanimously endorse the Acquisition, (b) publicly state that the Acquisition is in the best interests of CUB and is fair, from a financial point of view, to CUB Shareholders and (c) recommend that CUB Shareholders vote in favour or sign written approvals of the Acquisition;
- (e) no Material Adverse Change has occurred, or is reasonably expected to occur in respect of the business, operations or capital of CUB since the CUB Interim Financial Statements to the Time of Closing;
- (f) no action, suit or proceeding is threatened or taken, and no law, regulation, policy, judgment, decision, order, ruling or directive is proposed, enacted, promulgated, amended or applied, which in the sole judgment of Gastek and the Vendor, acting reasonably, is or would result in a Material Adverse Change in the business, operations or capital of CUB or would have a Material Adverse Effect on the ability of the Parties to complete the Acquisition;
- (g) there are outstanding not more than (a) 82,506,911 CUB Shares, (b) warrants to purchase not more than 12,373,299 CUB Shares at the exercise prices disclosed in CUB's public disclosure filings and (c) options to purchase not more than 5,474,451 CUB Shares under the CUB stock option plan at the exercise prices disclosed in CUB's public disclosure filings;
- (h) CUB does not have any, nor will it enter into change of control agreements with its directors, officers or employees;
- (i) CUB shall not have any outstanding bank indebtedness;
- (j) Gastek shall have received lock-up agreements duly executed by each of the directors and officers of CUB (and their respective associates) who own or exercise control or direction over CUB Shares to irrevocably vote their shares in favour or sign written approvals of the Acquisition on or before February 1, 2012;
- (k) the Vendor and Gastek shall be satisfied, in its sole discretion, acting reasonably, with the results of its due diligence investigation into the business, operations and affairs of CUB which due diligence investigation shall be completed on or before the Due Diligence Deadline and failure to provide written notice to CUB by the Due Diligence Deadline shall mean Gastek and the Vendor are satisfied with their due diligence investigation such that this condition does not survive past the Due Diligence Deadline;
- (l) CUB will have delivered to the Vendor a favourable opinion of CUB's counsel;  
and

- (m) the form and legality of all matters incidental to the sale by the Vendor and the purchase by CUB of the Gastek Units will be subject to the approval of the Vendor's counsel, acting reasonably.

5.04 **Waiver of Condition**

CUB, in the case of a condition set out in Section 5.02, and Gastek, the Vendor and the Vendor Shareholders, in the case of a condition set out in Section 5.03, will have the exclusive right to waive the performance or compliance of such condition in whole or in part and on such terms as may be agreed upon without prejudice to any of its rights in the event of non-performance of or non-compliance with any other condition in whole or in part. Any such waiver will not constitute a waiver of any other conditions in favour of the waiving party. Such waiving party will retain the right to complete the sale and purchase of the Gastek Units herein contemplated but will not have the right to sue the other party in respect of any breach of the other party's covenants, obligations or any inaccuracy or misrepresentation in a representation or warranty of the other party which gave rise to the non-performance of or non-compliance with the condition so waived provided that such other party acknowledged in writing at the Closing Date that the waiving party had the right not to complete the purchase and sale of the Gastek Units herein contemplated.

5.05 **Termination**

This Agreement may be terminated, by notice given prior to or at the completion of the sale and purchase of the Gastek Units herein contemplated:

- (a) by the Vendor or CUB if a material breach of any representation, warranty, covenant, obligation or other provision of this Agreement has been committed by the other party and such breach has not been waived or cured within 30 days following the date on which the non-breaching party notifies the other party of such breach;
- (b) by CUB if any of the conditions in Section 5.02, has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of CUB to comply with its obligations under this Agreement) and CUB has not waived such condition on or before the Closing Date;
- (c) by Gastek, the Vendor or the Vendor Shareholders if any of the conditions in Section 5.03 has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of the Vendor to comply with its obligations under this Agreement) and Gastek, the Vendor or the Vendor Shareholders, as applicable, has not waived such condition on or before the Closing Date;
- (d) by written agreement of CUB and the Vendor; or
- (e) by the Vendor or CUB if the completion of the sale and purchase of the Gastek Units herein contemplated has not occurred (other than through the failure of the party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before June 30, 2012 or such later date as the parties may agree upon.

5.06 **Effect of Termination**

Each Party's right of termination under Section 5.05 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 5.05, all further obligations of the Parties under this Agreement will terminate, except that the obligations in Sections 6.02(4) and 9.04 will survive; provided, however, that if this Agreement is terminated by a Party because of a material breach of a representation or warranty, covenant, obligation or other provision of this Agreement by the other Party or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of the other Party's failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

**ARTICLE 6 - CLOSING ARRANGEMENTS**

6.01 **Closing**

The closing of the transaction contemplated herein will be completed at the Time of Closing at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1.

6.02 **Deliveries and Confidentiality**

- (1) At the Time of Closing, Gastek and the Vendor shall deliver to CUB:
  - (a) the certificates contemplated by Section 5.02(d);
  - (b) the certificate(s) representing the Gastek Units and the form of transfer duly completed for transfer to CUB;
  - (c) a certified copy of the updated register of members showing the transfer of the Gastek Units to CUB;
  - (d) a certified copy of the resolutions passed by the board of directors of Gastek approving this Agreement as well as the consummation of the transactions contemplated hereby;
  - (e) resignations of the current directors and officers of Gastek, as requested by CUB;
  - (f) all books, minute books, records and accounts of Gastek and any other information necessary for CUB to operate and manage the business of Gastek;
  - (g) legal opinions from the Vendor and Gastek's counsel in a form satisfactory to CUB and CUB's counsel, acting reasonably; and
  - (h) such other documents as may be required by CUB's counsel, acting reasonably.
- (2) At the Time of Closing, CUB shall deliver to Gastek, the Vendor and the Vendor Shareholders:

- (a) the certificates contemplated by Section 5.03(c);
- (b) a copy of the conditional approval letter from the TSXV approving the Transaction and the terms of this Agreement;
- (c) certificates representing CUB Shares;
- (d) a certified copy of resolutions passed by CUB's board of directors approving the Agreement as well as the consummation of the transactions contemplated hereby; and
- (e) legal opinions from CUB's counsel in a form satisfactory to Gastek and Gastek's counsel, acting reasonably.

(3) CUB will ensure that Gastek preserves the documents so delivered for a period of six years from the Closing Date, or for such other period as is required by any Applicable Law, and will permit the Vendor and its authorized representatives reasonable access thereto in connection with the affairs of the Vendor, but CUB will not be responsible or liable to the Vendor for or as a result of any loss or destruction of or damage to any such documents.

(4) Both prior to the Closing Date and, if the sale and purchase of the Gastek Units hereunder fails to occur for whatever reason, thereafter CUB will not disclose to anyone or use for its own or for any purpose other than the purpose contemplated by this Agreement any confidential information concerning the Vendor, the Vendor Shareholders or Gastek obtained by CUB pursuant hereto, will hold all such information in the strictest confidence and, if the sale and purchase of the Gastek Units hereunder fails to occur for whatever reason, will return all documents, records and all other information or data relating to the Vendor, the Vendor Shareholders or to Gastek which CUB obtained pursuant to this Agreement.

(5) From and after the Closing Date the Vendor and the Vendor Shareholders will not disclose to anyone or use for any purpose any confidential information concerning Gastek and will hold all such information in the strictest confidence.

#### 6.03 **Directors' and Officers' Insurance**

For a period of six years after the Closing Date, CUB will cause Gastek or any successor to Gastek to maintain Gastek's current directors' and officers' insurance policy or a policy reasonably equivalent subject in either case to terms and conditions no less advantageous to the directors and officers of Gastek than those contained in the policy in effect on the date hereof, for all present and former directors and officers of Gastek and its Subsidiaries, covering Claims made prior to or within six years after the Closing Date; provided that such insurance remains available to Gastek or such successor on commercially reasonable terms. Alternatively, CUB may purchase as an extension to Gastek's current insurance policies, pre-paid non-cancellable run-off directors' and officers' liability insurance providing such coverage for such persons on terms comparable to those contained in Gastek's current insurance policies. From and after the Closing Date, CUB will, and will cause Gastek (or its successor) to, indemnify the current and former directors and officers of Gastek and its Subsidiaries to the fullest extent to which CUB and Gastek are permitted to indemnify such officers and directors under their respective charter, by-laws, Applicable Law and contracts of indemnity.

6.04 **Tax Matters**

(1) The Tax Returns to be filed for Gastek for all Taxation years or periods ending on or prior to the Closing Date will be prepared and filed on a timely basis by Gastek subject to prior review and approval by the Vendor, which approval must not be unreasonably withheld. Such returns will be prepared consistent with prior practice, except where otherwise required under Applicable Law. CUB will cooperate with the Vendor to effect such filings on a timely basis. CUB will cause Gastek to timely remit any Taxes shown as owing on such Tax Returns.

(2) CUB will provide notice to the Vendor of any inquiries made by, discussions with or representations or submissions proposed to be made to any Taxation Authority to the extent that the subject matter thereof relates to representations, covenants or obligations of the Vendor hereunder or could reasonably give rise to a right of indemnity hereunder. CUB will forthwith advise the Vendor of the substance of any such inquiries or discussions and provide the Vendor with copies of any written communications from any Taxation Authority relating to such inquiries or discussions. CUB will provide the Vendor a reasonable opportunity to comment on any such representations or submissions and to attend any meeting with any such Taxation Authority with respect to such matters;

(3) The Vendor will, for a period of six years after the Closing Date, or any longer period as may be required by any law or Governmental Authority, have access to, and the right to copy, at its expense, for bona fide business purposes relating to Taxes and during reasonable business hours, upon reasonable prior notice, all relevant books and records of CUB and Gastek. CUB and Gastek will use commercially reasonable efforts to retain and preserve all such books and records for such period and will not cause or acquiesce in the destruction or disposal of such books and records without first offering them to the Vendor.

(4) CUB will provide the reasonable assistance of the employees or personnel of CUB and Gastek and the accounting and legal and other representatives and advisors of CUB and Gastek and otherwise take such reasonable steps to cooperate with the Vendor and render all reasonable assistance, as the Vendor may reasonably request (including, to the extent requested by the Vendor, dealing directly with any Taxation Authority in relation to audits, inquiries, discussions or disputes), with respect to all matters relating to any inquiries, discussions or disputes where the subject matter thereof relates to representations, covenants or obligations of the Vendor hereunder or could reasonably be expected to give rise to a right of indemnity hereunder.

(5) CUB and Gastek will, upon reasonable request of the Vendor, use all commercially reasonable efforts to take reasonable steps, including obtaining any certificate or other document from, or effect any filing with, any Taxation Authority as may be considered desirable to mitigate, reduce or eliminate any Taxes that could be imposed on Gastek and that could reasonably give rise to a right of indemnity hereunder, provided that CUB and Gastek will not be required to expend more than nominal amounts of money to effect same, unless their reasonable costs of doing so are reimbursed by the Vendor.

(6) CUB covenants that it will not, or cause or permit Gastek to, take any action on or after the Closing, make any election or deemed election or make or change any Tax election, amend any Tax Return or take any position on any Tax Return that results in any increased Tax liability or reduction of any deduction, credit or loss carry-over of Gastek in respect of any period ending on or before, or which includes, the Closing Date. CUB agrees that the Vendor is to have no liability for any Tax resulting from any action referred to in the preceding sentence, and agrees to indemnify and hold harmless the Vendor and its Affiliates against any such Tax.

(7) CUB shall promptly pay to the Vendor any refunds of Taxes paid with respect to Gastek attributable to any periods ending on or before or which include the Closing Date (plus any interest received with respect thereto from any applicable Taxation Authority) to the extent not shown or reflected in the Balance Sheet.

## **ARTICLE 7 - EXCLUSIVITY**

### **7.01 Non-Solicitation**

(1) CUB, Gastek and the Vendor shall immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties (other than the other Relevant Party) conducted on or before the date of this Agreement with respect to any actual or potential Acquisition Proposal. CUB, Gastek and the Vendor, as applicable, shall immediately send a letter to all parties who have had such discussions or negotiations or who have entered into confidentiality agreements with CUB, Gastek or the Vendor, as the case may be, pertaining to the sale of CUB or Gastek, respectively, or a material portion of its assets and shall use its commercially reasonable efforts to have all materials provided to such parties by CUB, Gastek or the Vendor or prepared by such parties in respect of CUB or Gastek destroyed or returned to CUB, Gastek or the Vendor, as the case may be, or its agents or advisors. CUB, Gastek and the Vendor shall immediately advise the other party in writing of any response or action (actual, anticipated, contemplated, threatened or otherwise) by any recipient of such letter which could hinder, prevent or delay or otherwise adversely affect the completion of the transactions contemplated by this Agreement.

(2) Neither CUB nor any of its respective directors, officers, employees, agents, financial advisors, counsel or other representatives shall, directly or indirectly:

- (a) solicit, initiate or encourage in any manner whatsoever the initiation or continuation of any inquiries, discussions, negotiations, proposals or offers from any corporation, person or other entity or group (other than Gastek and its directors, officers, employees, agents, financial advisors, counsel or other representatives) in respect of any matter or thing which is inconsistent with the successful completion of any of the transactions contemplated herein including, without limitation, any actual (or potential) Acquisition Proposal;
- (b) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate in any manner with, or assist or participate in, or facilitate or encourage, an effort or attempt by any other person to do anything mentioned in the foregoing subsection 7.01(2)(a);
- (c) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forebear in respect of, any rights or other benefits under confidentiality agreements including, without limitation, any standstill provisions thereunder; or
- (d) subject to subsection 7.01(5) hereof, withdraw, modify or change the recommendation regarding the Acquisition referred to in 5.03(d) hereof, or accept, recommend, approve or enter into an agreement to implement any Acquisition Proposal;

provided however, that the foregoing in no way restricts or limits the board of directors of CUB from responding or from providing any information, either directly or through its

officers, employees, agents or other representatives, to another party who makes an unsolicited written offer after the date hereof to CUB if: (i) the board of directors of CUB determines that the offer is a Superior Proposal; (ii) a failure to respond or provide information would, in the opinion of the board of directors of CUB acting reasonably and in good faith based on the written advice of its legal counsel as reflected in the minutes of CUB's board of directors be inconsistent with the performance by the directors of their fiduciary duties under Applicable Law; and (iii) prior to entering into discussions or negotiations with or responding to any person regarding the Acquisition Proposal, CUB notifies Gastek of its determination that such Acquisition Proposal constitutes a Superior Proposal. Neither CUB nor CUB's board of directors shall provide any information in accordance with this provision unless CUB:

- (a) has provided notice to Gastek of the written offer pursuant to subsection 7.01(3) hereof;
- (b) has required the party making the written offer to execute a confidentiality agreement in favour of CUB on terms and conditions no less favourable than those in the Confidentiality Agreement; and
- (c) provides copies of the same information or makes the same disclosure to Gastek concurrently with providing such information or making such disclosure to the party making the written offer.

(3) CUB shall notify Gastek immediately of the receipt of any communication, whether oral or written, from any person that is related, directly or indirectly, to any proposed Acquisition Proposal. Immediately and in any event prior to 8:00 a.m. (Calgary time) on the second day following receipt of any Acquisition Proposal, CUB shall advise Gastek first orally and then in writing that an Acquisition Proposal has been offered or made (which notice in writing must identify the party proposing the Acquisition Proposal and all of the terms and conditions thereof, and which must include a complete and fulsome copy of the written form of Acquisition Proposal and which must provide an undertaking to provide to Gastek (i) any further documents relating to the terms and conditions thereof delivered by the offeror and (ii) a written document from CUB's board of directors regarding the value in financial terms that the board has, in consultation with its financial advisors, determined in good faith should be ascribed to any non-cash consideration offered pursuant to such Acquisition Proposal). CUB shall keep Gastek informed of the status and details of all communications in respect of any proposed Acquisition Proposal and shall answer any questions of Gastek or its advisors with respect thereto.

(4) If CUB receives a request for material non-public information from a person who proposes an Acquisition Proposal in respect of CUB (the existence and content of which have been disclosed to Gastek as set forth herein), and CUB's board of directors determines that such proposal is a Superior Proposal then, and only in such case, CUB's board of directors may, subject to the execution of a confidentiality agreement substantially similar to the Confidentiality Agreement, provide such person with access to information regarding CUB; provided however, that: (i) CUB sends a copy of any such confidentiality agreement to Gastek immediately upon its execution; (ii) the confidentiality agreement in question permits CUB to notify Gastek of the fact that CUB has received an Acquisition Proposal; and (iii) Gastek is provided with a list of, and access to, the information, if any, provided to such person that was not previously provided to Gastek;

(5) Subject to subsection 7.02(6), in the event that:

- (a) an Acquisition Proposal has been offered or made to the holders of CUB Shares or CUB; and

- (b) a failure to withdraw, modify or change any recommendation regarding the Acquisition would, in the opinion of the board of directors of CUB acting reasonably and in good faith based on the written advice of its legal counsel as reflected in the minutes of the board of directors of CUB, be inconsistent with the performance by the directors of their fiduciary duties under Applicable Law after considering all proposals of Gastek to adjust the terms and conditions of this Agreement as required under subsection 7.01(6);

the board of directors of CUB may withdraw, modify or change its recommendation regarding the Acquisition referred to in Section 5.03(d) hereof, and may accept, recommend, approve or enter into an agreement to implement such Acquisition Proposal, provided that:

- (c) CUB has provided notice to Gastek of the Acquisition Proposal pursuant to subsection 7.01(3) hereof and has complied with all of its obligations under this Agreement;
- (d) CUB has given Gastek at least 72 hours advance notice of any action to be taken by the board of directors of CUB in respect of the Acquisition Proposal including, without limitation, to (A) withdraw, modify or change any recommendation regarding the Acquisition, (B) accept, recommend, approve or enter into an agreement to implement the Acquisition Proposal or (C) make any announcement in respect of the Acquisition Proposal, and the board of directors of CUB does not, during such period, take any such action or release the party making the Acquisition Proposal from any standstill or confidentiality obligation with respect to CUB or CUB Shares;
- (e) the board of directors of CUB determines the Acquisition Proposal is a Superior Proposal; and
- (f) CUB complies with all other applicable obligations under this Agreement, including, without limitation, its obligations set forth in Section 7.02 hereof.

(6) Notwithstanding the provisions of subsection 7.01(5), during the 72 hours period contemplated by subsection 7.01(5)(d), CUB shall, and shall cause its respective financial and legal advisors to, negotiate in good faith with Gastek to make such adjustments in the terms and conditions of this Agreement as would enable CUB to proceed with this Agreement as amended, rather than the Acquisition Proposal. If during such 5 business day period, Gastek proposes to amend this Agreement to provide for such proposed transaction ceasing to be a Superior Proposal:

- (a) the board of directors of CUB may not withdraw, modify or change any recommendation regarding the Acquisition or accept, recommend, approve or enter into an agreement to implement such Acquisition Proposal; and
- (b) CUB and Gastek shall enter into a written agreement to so amend this Agreement.

(7) CUB acknowledges and agrees that each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for the purposes of the requirement under subsection 7.01(6) to initiate an additional 72 hours notice period.

(8) CUB shall each ensure that the officers, directors and employees of CUB and any investment bankers or other advisers or representatives retained by CUB are aware of the provisions of Sections 7.01(1) and 7.01(2), and CUB shall be responsible for any breach of Sections 7.01 (1) and 7.01(2) by their respective investment bankers, advisors or representatives.

7.02 **CUB Termination Fee**

If at any time after the date of this Agreement but prior to its termination in accordance with its terms:

- (a) the board of directors of CUB:
  - (i) fails to make any of its required recommendations, approvals, resolutions or determinations referred to in subsection 5.03(d);
  - (ii) withdraws, modifies or changes any of such recommendations, approvals, resolutions or determinations in a manner adverse to Gastek or shall have resolved to do so;
  - (iii) fails to promptly reaffirm any of such recommendations, approvals, resolutions or determinations within 24 hours following an Acquisition Proposal being publicly announced or, in the case of a Superior Proposal, by the end of the five day period referred to in subsection 7.01(5)(d); or
  - (iv) recommends that holders of any CUB Shares deposit any CUB Shares under, vote in favour of, or otherwise accept, an Acquisition Proposal;
- (b) CUB approves or enters into an agreement with any person to implement a Superior Proposal;
- (c) an Acquisition Proposal is made to the CUB Shareholders and the CUB Shareholders do not approve the Acquisition as contemplated in this Agreement and the Acquisition Proposal or any other Acquisition Proposal is consummated within six (6) months of the date of the Acquisition Proposal is made;
- (d) CUB is in material breach of its non-solicitation covenant referred to in subsection 7.01(1) hereof;

(each of the above being a “**CUB Damages Event**”), then in the event of the termination of this Agreement pursuant to its terms, CUB shall pay to Gastek \$1,000,000 (the “**Termination Fee**”) as liquidated damages in respect of a CUB Damages Event. The Termination Fee shall be paid by CUB to Gastek in immediately available funds to an account designated by Gastek within one business day after the occurrence of the CUB Damages Event. Following a CUB Damages Event but prior to payment of the Termination Fee, CUB shall be deemed to hold such payment in trust for Gastek. CUB shall only be obligated to pay one Termination Fee pursuant to this Section 7.02.

7.03 **Gastek Acknowledgment of Liquidated Damages**

Gastek acknowledges that the Termination Fee set out in Section 7.02 is a payment of liquidated damages which are a genuine pre-estimate of the damages which Gastek will suffer or incur as

a result of the event giving rise to such damages and the resultant termination of this Agreement and are not penalties. CUB irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Nothing herein shall preclude a Party 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.

7.04 **Gastek Termination Fee**

If at any time after the date of this Agreement but prior to its termination in accordance with its terms (each of the following being a “**Gastek Termination Fee Event**”):

- (a) either of Gastek or the Vendor is in material breach of its non-solicitation covenant referred to in subsection 7.01(1) hereof; or
- (b) all of (i) the mutual conditions to closing the Acquisition; and (ii) the conditions for the benefit of the Vendor to closing the Acquisition have been fulfilled, but the Vendor does not complete the Acquisition after written request by CUB to do so;

then Gastek will pay to CUB, \$1,000,000 (the “**Gastek Termination Fee**”) as liquidated damages in respect of a Gastek Termination Fee Event. The Gastek Termination Fee shall be paid by Gastek to CUB in immediately available funds to an account designated by CUB within one business day after the occurrence of the Gastek Termination Fee Event. Following a Gastek Termination Fee Event but prior to payment of the Gastek Termination Fee, Gastek shall be deemed to hold such payment in trust for CUB. Gastek shall only be obligated to pay one Gastek Termination Fee pursuant to this Section 7.04.

7.05 **CUB Acknowledgment of Liquidated Damages**

CUB acknowledges that the Termination Fee set out in Section 7.04 is a payment of liquidated damages which are a genuine pre-estimate of the damages which CUB will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and are not penalties. Gastek irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Nothing herein shall preclude a Party 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 8 - INDEMNIFICATION**

8.01 **Survival**

All covenants, representations and warranties of each Party contained in this Agreement will survive the Closing and will continue in full force and effect, subject to the provisions of this Article 8, for a period of one (1) year from the Closing Date, except representations and warranties related to taxation matters, which will continue in full force and effect, subject to the provisions of this Article 8, until the expiration of the applicable limitation period contained in the Tax Act or any other applicable legislation imposing Tax with respect to such representation or warranty.

8.02 **Indemnification by CUB**

Subject to Section 8.05, CUB hereby covenants and agrees with Gastek, the Vendor and the Vendor Shareholders to indemnify and save harmless Gastek, the Vendor and the Vendor Shareholders from and against any claims which may be made or brought against such Party or which such Party may suffer or incur as a result of, or arising out of any non-fulfillment of any covenant or agreement on the part of CUB under this Agreement or any incorrectness in or breach of any representation or warranty of CUB contained in this Agreement.

8.03 **Indemnification by the Vendor and Gastek**

Subject to Section 8.05, the Vendor and Gastek hereby jointly and severally covenant and agree with CUB to indemnify and save harmless CUB from and against any Claims which may be made or brought against it or which it may suffer or incur as a result of, or arising out of non-fulfillment of any covenant or agreement on the part of Gastek or the Vendor under this Agreement or any incorrectness in or breach of any representation or warranty of Gastek or the Vendor contained in this Agreement.

8.04 **Indemnification by the Vendor Shareholders**

Subject to Section 8.05, each Vendor Shareholder hereby covenants and agrees with CUB to indemnify and save harmless CUB from and against any Claims which may be made or brought against it or which it may suffer or incur as a result of, or arising out of non-fulfillment of any covenant or agreement on the part of such Vendor Shareholder under this Agreement or any incorrectness in or breach of any representation or warranty of such Vendor Shareholder contained in this Agreement.

8.05 **Limitation on Indemnification**

The indemnification obligations of each of the Parties pursuant to Section 8.02, Section 8.03 and Section 8.04 shall be subject to the following:

- (a) the applicable limitation mentioned in Section 8.01 respecting the survival of the representations and warranties; and
- (b) an Indemnifying Party shall not be required to indemnify an Indemnified Party until the aggregate Claims sustained by that Indemnified Party exceed a value of \$10,000, in the aggregate, in which case, the Indemnifying Party shall be obligated to the Indemnified Party for all claims.

8.06 **Procedure for Indemnification**

The Party or other indemnified Person making a claim for indemnification under this Article is referred to as the “**Indemnified Party**” and the Party providing indemnification is referred to as the “**Indemnifying Party**” for the purposes of this Article. The following provisions shall apply to any claims for which an Indemnifying Party may be obligated to indemnify an Indemnified Party pursuant to this Agreement:

- (a) upon receipt from a third party by the Indemnified Party of notice of a Claim or the Indemnified Party becoming aware of a Claim in respect of which the Indemnified Party proposes to demand indemnification from the Indemnifying Party, the Indemnified Party shall give notice to that effect to the Indemnifying Party with reasonable promptness, provided that failure to give such notice shall

not relieve the Indemnifying Party from any liability it may have to the Indemnified Party except to the extent that the Indemnifying Party is prejudiced thereby;

- (b) in the case of Claims arising from third parties, the Indemnifying Party shall have the right by notice to the Indemnified Party not later than 30 days after receipt of the notice described in paragraph (a) above to assume the control of the defence, compromise or settlement of the claims, provided that such assumption shall, by its terms, be without costs to the Indemnified Party and the Indemnifying Party shall at the Indemnified Party's request furnish it with reasonable security against any costs or other liabilities to which it may be or become exposed by reason of such defence, compromise or settlement;
- (c) upon the assumption of control by the Indemnifying Party as aforesaid, the Indemnifying Party shall diligently proceed with the defence, compromise or settlement of the Claims at its sole expense, including employment of counsel reasonably satisfactory to the Indemnified Party and, in connection therewith, the Indemnified Party shall cooperate fully, but at the expense of the Indemnifying Party, to make available to the Indemnifying Party all pertinent information and witnesses under the Indemnified Party's control, make such assignments and take such other steps as in the opinion of counsel for the Indemnifying Party are necessary to enable the Indemnifying Party to conduct such defence; provided always that the Indemnified Party shall be entitled to reasonable security from the Indemnifying Party for any expense, costs or other liabilities to which it may be or may become exposed by reason of such cooperation;
- (d) the final determination of any such Claims arising from third parties, including all related costs and expenses, will be binding and conclusive upon the Parties as to the validity or invalidity, as the case may be, of such Claims against the Indemnifying Party hereunder; and
- (e) should the Indemnifying Party fail to give notice to the Indemnified Party as provided in paragraph (b) above, the Indemnified Party shall be entitled to make such settlement of the Claims as in its sole discretion may appear reasonably advisable, and such settlement or any other final determination of the Claims shall be binding upon the Indemnifying Party.

## **ARTICLE 9 - GENERAL**

### **9.01 Independent Legal Advice**

Each of the Parties acknowledge having been encouraged to seek and has had the opportunity to obtain independent legal advice with respect to the terms of this Agreement.

### **9.02 Further Assurances**

Each of the Parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as another party may, either before or after the Closing Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

9.03 **Time of the Essence**

Time is of the essence of this Agreement.

9.04 **Fees and Commissions**

Each of the Parties will pay its own legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred and will indemnify and save harmless the other from and against any Claim for or loss resulting from any broker's, finder's or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions under this Agreement.

9.05 **Public Announcements**

Except as required by Applicable Law, no public announcement or press release concerning the sale and purchase of the Gastek Units may be made by Gastek, the Vendor or CUB without the prior consent and joint approval of Gastek, the Vendor and CUB.

9.06 **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, other legal representatives, successors and permitted assigns of the Parties hereto.

9.07 **Entire Agreement**

This Agreement constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Agreement.

9.08 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by each of the Parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

9.09 **Assignment**

This Agreement may not be assigned or transferred by any one of the Parties without the prior written consent of the other Parties.

9.10 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To CUB:

CUB Energy Inc.  
50 Richmond Street East, Suite 101  
Toronto, Ontario, M5C 1N7

Attention: Greg Cameron  
Fax No.: (416) 613-3101  
E-mail: g\_cameron@sympatico.ca

To Gastek:

1000 Fourth Street, Suite 785  
San Rafael, CA 94901

Attention: Mikhail Afendikov  
Fax No.: (415) 747-8320  
E-mail: mafendikov@gmail.com

To the Vendor and/or to the Vendor Shareholders:

Pelicourt Limited  
Mikhail Afendikov  
Valentin Bortnik  
Andreas Tserni  
c/o 1000 Fourth Street, Suite 5509  
San Rafael, CA 94901

Attention: Mikhail Afendikov  
Fax No.: (415) 747-8130  
E-mail: mafendikov@gmail.com

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either Party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the 5<sup>th</sup> Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the Party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

9.11 **Remedies Cumulative**

The right and remedies of the parties under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a Party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that Party may be entitled.

9.12 **No Third Party Beneficiaries**

Except as provided in Section 9.06, this Agreement is solely for the benefit of:

- (a) the Vendor and Gastek, and their heirs, executors, administrators, other legal representatives, successors and permitted assigns, with respect to the obligations of CUB under this Agreement, and
- (b) the Vendor Shareholders, and their respective heirs, executors, administrators, other legal representatives, successors and permitted assigns, with respect to the obligations of CUB under this Agreement, and
- (c) CUB, and its heirs, executors, administrators, other legal representatives, successors and permitted assigns, with respect to the obligations of the Vendor, Gastek and the Vendor Shareholders under this Agreement;

and this Agreement will not be deemed to confer upon or give to any other person any Claim or other right or remedy. Gastek, the Vendor and the Vendor Shareholders appoint CUB as the trustee for their respective indemnitees set out in Article 8 (the “**CUB Indemnitees**”) of the covenants of indemnification of the Vendor and the Vendor Shareholders with respect to such CUB Indemnitees as specified in this Agreement and CUB accepts such appointment. CUB appoints Gastek as the trustee for the indemnitees set out in Article 8 (the “**Vendor Indemnitees**”) of the covenants of indemnification of CUB with respect to such Vendor Indemnitees specified in this Agreement and Gastek accepts such appointment.

9.13 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

9.14 **Attornment**

For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The Parties each attorn to the jurisdiction of the courts of the Province of Ontario.

9.15 **Appointment of Agent for Service**

Gastek nominates, constitutes and appoints Bennett Jones LLP, Barristers and Solicitors, of the City of Calgary its true and lawful agent to accept service of process and to receive all lawful notices in respect of any action arising under this Agreement (other than any notice that is to be given by one party to another pursuant to Section 9.10). Until due and lawful notice of the appointment of another and subsequent agent in the Province of Alberta has been given to and accepted by Gastek, service of process or of papers and such notices upon Bennett Jones LLP will be accepted by Gastek as sufficient service.

9.16 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

9.17            **Electronic Execution**

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

IN WITNESS WHEREOF the Parties have executed this Agreement.

**CUB ENERGY INC.**

By: (signed) "Gregory M. Cameron"

**GASTEK LLC**

By: (signed) "Mikhail Afendikov"

c/s

**PELICOURT LIMITED**

By: (signed) "Mikhail Afendikov"

c/s

SIGNED, SEALED AND DELIVERED  
in the presence of:

(signed) "Lilia Afendikov" )  
Witness ) (signed) "Mikhail Afendikov"  
 ) **Mikhail Afendikov**

(signed) "Rostislava Belskagia" )  
Witness ) (signed) "Valentin Bortnik"  
 ) **Valentin Bortnik**

(signed) "Smorzhenyuk Lena" )  
Witness ) (signed) "Andreas Tserni"  
 ) **Andreas Tserni**

(signed) "Maria del Carmen Valdes Martinez" )  
Witness ) (signed) "Robert Bensch"  
 ) **Robert Bensch**

**SCHEDULE 1.01**  
**GASTEK FINANCIAL STATEMENTS**

## SCHEDULE 1.02

### Special Permits - Ukraine

SPECIAL PERMIT NO.	ISSUE DATE	BLOCK	TYPE	PERCENTAGE INTEREST HELD BY KUB-GAS
3594	11 August 2009	Makeevske Field	Geological Survey and Pilot Production	100
3595	11 August 2009	Olgivska Area	Geological Survey and Pilot Production	100
3596	11 August 2009	Krutogorivska Area	Geological Survey and Pilot Production	100
4037	27 September 2006	Vergunske Field	Commercial Production	100
3915	29 December 2010	North Makeyevska Field	Exploration	100

**SCHEDULE 3.01(2)(c)**

- 1) Agreement on Pledge of Participation Interest in the Charter Capital of Kub-Gas LLC dated June 14, 2011 between Loon Ukraine Holding Limited and European Bank for Reconstruction and Development.

### **SCHEDULE 3.01(2)(n)**

Case No. 2-21/10: In 2010, Ms. Zhuliy O.V. and Ms. Startseva O.R., as plaintiffs, filed a claim with the Kirovsky Court of Makiyivka City of Donetsk Region against Kub-Gas LLC (“**Kub-Gas**”), as defendant, regarding compensation of material and moral damage caused by motor vehicle accident for the amount of UAH 53,832.41, which Kub-Gas lost on May 28, 2010 and was ordered to pay a total of UAH 47,524.47. According to the documents provided by Kub-Gas representatives, it appears that on December 9, 2010 the Donetsk Region Appellate Court cancelled the court decision of May 28, 2010. However, the plaintiffs filed a cassation claim on the decision of the Donetsk Region Appellate Court with the Higher Specialised Court of Ukraine for Civil and Criminal Cases, requesting the court to recover from Kub-Gas approximately UAH 100,000.00. On May 19, 2011 the Higher Specialised Court by its ruling opened the cassation proceeding based on the plaintiffs’ cassation claim. According to Head of Legal Department of Kub-Gas, Mr. Ruslan Lazarev, as of January 17, 2012 the case is still pending.

## **SCHEDULE 3.03(dd)**

### **Tax Audits**

- 1) (Re)assessment of GST/HST return filed by 3P International Energy Corp. for the period from January 1, 2010 and December 31, 2010 conducted by Canada Revenue Agency.
- 2) (Re)assessment of GST/HST return filed by 3P International Energy Corp. for the period from January 1, 2011 and June 30, 2011 conducted by Canada Revenue Agency.

### **SCHEDULE 3.03(ddd)**

#### **Leases**

- 1) Lease agreement dated May 3, 2001 between JSC Tysgaz (as lessee) and Geological Enterprise UkrZahidGeologia (as lessor) for the lease of two wells on the Rusko-Komarivske field (RK#2 and RK#6).
- 2) Lease agreement dated October 1, 2011 between JSC Tysgaz (as lessee) and Tsentr Obrobky Danyh Nadra (as lessor) for the lease of JSC Tysgaz's office premises in Ukraine.

**SCHEDULE 3.03(f)**

**Share Terms**

The rights attached to the CUB Shares are equal in all respects and include the rights,

- (a) to vote at all meetings of CUB Shareholders; and
- (b) to receive the remaining property of CUB upon dissolution.

## **SCHEDULE 3.03(hhh)**

### **Consulting Agreements**

- 1) Consulting Agreement between CUB and Contact Financial Corporation dated April 1, 2011;
- 2) Consulting Agreement between CUB and DSA Corporate Services Inc. dated November 25, 2010;
- 3) Consulting Agreement between CUB and Alconsult International Ltd. dated May 15, 2011;
- 4) Consulting Agreement between CUB and Benes Advisors LLC dated December 1, 2011;
- 5) Consulting Agreement between CUB and Zoya Frolova dated January 1, 2012;
- 6) Consulting Agreement between CUB and Cub Energy West LLC dated January 1, 2012;
- 7) Consulting Agreement between CUB and AMG Legal Services Inc. dated January 13, 2012;
- 8) Consulting Agreement between CUB and ALOE Financial Inc. dated September 1, 2010; and
- 9) Consulting Agreement between CUB and GS Energy Services LLC dated June 22, 2011.

**SCHEDULE 3.03(iii)**

**Written Employment Agreements**

None.

## **SCHEDULE 3.03(jjj)**

### **Potential Severance Liabilities**

CUB has entered into an agreement dated as of September 1, 2010 with ALOE Financial Inc. (“**Aloe**”) whereby Aloe provides the services of Wally Rudensky to act as Chief Financial Officer of CUB (the “**CFO Agreement**”). In the event of a Change of Control (as defined therein) of CUB, CUB will have the option to terminate the CFO Agreement upon payment within ten days of ten months of the service fee thereunder.

### SCHEDULE 3.03(ww)

#### Escrowed CUB Shares

The following table sets out the name and municipality of residence of CUB Shareholders whose CUB Shares are currently held in Escrow:

Name and Municipality of Residence of CUB Shareholder	Number of CUB Shares held in escrow
Wally Rudensky, Toronto, Ontario	30,000 <sup>(1)</sup>
Gregory Cameron, Toronto, Ontario	496,500 <sup>(1)</sup>
Steve VanSickle Toronto, Ontario	200,000 <sup>(1)</sup>
Robert Szczuczko Calgary, Alberta	12,500 <sup>(1)</sup>
BTR Accelerator Fund Limited Toronto, Ontario	14,000,000 <sup>(1)</sup>
Richard Kehmeier New Jersey, USA	675,000 <sup>(2)</sup>
Paul Deslauriers Toronto, Ontario	180,000 <sup>(2)</sup>
White Rock Capital Partners Toronto, Ontario	45,000 <sup>(2)</sup>

Notes:

- (1) Pursuant to the policy of the TSX Venture Exchange (the “**Exchange**”), the securities of CUB held by officers, directors, other Insiders and Promoters of CUB (the “**CUB Insiders**”) are subject to the terms of a pooling agreement dated October 31, 2011 among Equity Financial Trust Company (the “**Escrow Agent**”), CUB, and the CUB Insiders (the “**Pooling Agreement**”). Securities held in escrow pursuant to the Pooling Agreement will be released upon the earlier of (i) the Escrow Agent receives a written certification from CUB addressed to the Escrow Agent and the Exchange stating that the Transaction shall not be completed and the Exchange issues a bulletin advising of the termination of the Transaction; or (ii) the Exchange issues a bulletin advising of the completion of the Transaction.
- (2) Held in escrow pursuant to an escrow agreement dated July 22, 2008. All of the CUB Shares issued prior to CUB’s initial public offering at a price below \$0.10 per CUB Share were required to be placed in escrow pursuant to the policy of the Exchange.