PURCHASE AND SALE AGREEMENT

BETWEEN

BLACKBIRD ENERGY INC.

and

PENNANT ENERGY INC.

COLLECTIVELY AS VENDOR

and

DELPHI ENERGY CORP.

AS PURCHASER

DATED SEPTEMBER 5th, 2014

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT dated the 5th day of September, 2014

AMONG:

BLACKBIRD ENERGY INC., a body corporate registered to carry on business in the Province of Alberta

- and –

PENNANT ENERGY INC., a body corporate registered to carry on business in the Province of Alberta

(hereinafter collectively called "Vendor")

- and -

DELPHI ENERGY CORP., a body corporate registered to carry on business in the Province of Alberta

(hereinafter called "Delphi" or "Purchaser")

WHEREAS the Vendor has agreed to sell certain assets (the "Assets") as more particularly described in the schedules attached hereto to the Purchaser, and the Purchaser has agreed to purchase the Assets from the Vendor on the terms and conditions set out herein;

NOW THEREFORE in consideration of the premises and the mutual covenants and warranties herein contained, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement:

(a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations to:

(i) abandon wells (including the Wells) and close, decommission, dismantle and remove structures, foundations, buildings, pipelines, equipment and other facilities located on the Lands or lands pooled or unitized therewith or used in respect of Petroleum Substances produced from the Lands or lands pooled or unitized therewith (including the Tangibles); and

(ii) restore, remediate and reclaim the surface and subsurface locations thereof and lands used to gain access thereto;

all in accordance with good oil and gas field practices in Canada, and in compliance with Regulations, including such obligations relating to wells, structures, foundations, buildings, pipelines, equipment and other facilities which were abandoned or decommissioned prior to the date hereof that were located on the Lands or lands pooled or unitized therewith;

(b) "**Affiliate**" of a Party means a corporation or partnership that controls the Party, is controlled by the Party or is controlled by the same person, corporation or partnership that controls the Party and for which purpose a corporation shall be deemed to be controlled by those persons, corporations or partnerships who own or effectively control, other than by way of security only, sufficient voting shares of the corporation (whether directly through the ownership of shares of the corporation or indirectly through the ownership of shares of another corporation or partnership interests of a partnership which owns shares of the corporation) to elect the majority of its board of directors and a partnership shall be deemed to be controlled by those persons, corporations or partnerships that are able to determine policies or material decisions of that partnership, provided that a partnership which is composed solely of corporations which are Affiliates, as described above, shall be deemed to be an Affiliate of each such corporation and its other Affiliates;

(c) "**Authority For Expenditures**" or "**AFEs**" means authorities for expenditures, cash calls or mail ballots issued pursuant to the Title and Operating Documents relating to any of the Assets

(d) "**Agreement**" means this agreement including the recitals hereto, this clause and each schedule, as amended after the date hereof by written agreement between the Vendor and the Purchaser;

(e) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests, but does not include any Excluded Assets;

(f) **"Base Price"** means the sum of $8,800,000.00;

(g) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta;

(h) "**Claim**" means any claim, demand, lawsuit, proceeding, arbitration or governmental investigation, in each case, whether asserted, threatened or pending;

(i) "**Closing**" means the exchange of Conveyance Documents on the Closing Date, the delivery by the Purchaser to the Vendor of the Purchase Price as estimated at the Closing Time in the Interim Statement and the transfer of the Assets by the Vendor to the Purchaser;

(j) "**Closing Date**" means September 15th, 2014, or such other date as agreed to by the Parties;

(k) "**Closing Time**" means 2:00 p.m. local Calgary time on the Closing Date;

(l) "**Conveyance Documents**" means all conveyances, assignments, transfers, novations, directions to pay and other documents and instruments that are reasonably required or desirable in accordance with normal Canadian oil and gas industry practice to convey, assign and transfer title to the Assets held in the name of the Vendor or its Affiliates to the Purchaser and to novate the Purchaser into the contracts, licences, permits, approvals and authorizations comprised in the Miscellaneous Interests in the place and stead of the Vendor and its Affiliates insofar as such contracts, licences, permits, approvals and authorizations pertain to the Assets;

(m) "**Customary Post-Closing Consents**" means consents and approvals from any Government Authority or Third Party that are customarily obtained after Closing in connection with transactions similar in nature to the Transaction, consents and approvals for the transfer of permits, licences, approvals and authorizations for the Wells, Tangibles, Leases and Surface Interests and consents of Third Parties that cannot be unreasonably withheld;

(n) “**Dollar**" or "**$**" means a Canadian dollar;

(o) "**Effective Time**" means 8:00 a.m. (Calgary time) on the 1st day of July, 2014;

(p) "**Environment**" includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, including humans, and the interacting natural systems that include such components;

(q) "**Environmental Laws**" means Regulations (whether enacted prior to or after the date hereof) which relate to (i) the protection, remediation or restoration of the Environment, (ii) the use, storage, holding, handling, transportation, release, spill, emission, escape or migration of any substance or waste or (iii) health and safety matters;

(r) "**Environmental Liabilities**" means:

(i) all past, present and future Liabilities that relate to the Assets or the Lands or that arise in connection with or as a result of Operations and that are in respect of any of the following:

(A) pollution or contamination of or damage or injury to the Environment

(B) use, storage, holding, handling, transportation, release, spill, emission, escape or migration of any substance or waste (including migration within the Lands or lands pooled or unitized therewith or from such lands to other lands);

(C) obligations to test, monitor, remediate, protect and clean-up the Environment; or

(D) obligations under Environmental Laws; and

(ii) all Abandonment and Reclamation Obligations;

(s) "**AER**" means The Alberta Energy Regulator;

(t) "**Excluded Assets**" means:

(i) Petroleum Substances that, at the Effective Time, are in tanks or storage or beyond the point of sale to the buyer thereof;

(ii) fee simple interests in mines and minerals or any of them;

(iii) interests in lessor royalties payable under leases of Lands in which the Vendor or its Affiliates own fee simple interests in the leased substances;

(iv) seismic and geophysical data;

(v) interpretations, evaluations, forecasts, analyses and similar items;

(vi) cash, marketable securities, deposits and bank accounts;

(vii) tax returns and filings and related work papers and similar information; and

(viii) accounting and other financial information that is not directly and exclusively related to the Assets or Operations ;

(u) "**Facilities**" means the facilities and pipelines described in Schedule "C";

(v) "**Facilities Interests**" means the undivided interests of Vendor set forth in Schedule "C" in the Facilities;

(w) "**Final Statement**" has the meaning specified in Article 4;

(x) "**GST**" means the goods and services tax required to be paid pursuant to the *Excise Tax Act*, 1985 R.S.C. c.E-15;

(y) "**GST Percentage**" means the percentage by which the Purchase Price payable for the Tangibles and Miscellaneous Interest will be multiplied to calculate the amount of GST payable in respect of the sale thereof pursuant hereto;

(z) "**General Conveyance**" means the General Conveyance in the form of Schedule "B";

(aa) "**Government Authority**" means a federal, provincial, territorial, municipal or other government or government department, agency or authority (including a court of law) having jurisdiction over a Party, the Assets or the Transaction;

(bb) "**Interim Statement**" has the meaning specified in Article 4;

(cc) "**Land and Well Schedule**" means Schedule "A";

(dd) "**Lands**" means the lands set forth and described in the Land and Well Schedule, including (unless the context otherwise requires) the surface of and all geological zones and formations within such lands;

(ee) "**Leases**" means the leases, licences, permits and other documents of title set forth and described in the Land and Well Schedule that grant rights to Petroleum Substances within, upon or under the Lands and includes, if applicable all renewals and extensions of such documents and all documents issued in substitution therefor;

(ff) "**Liabilities**" means liabilities and obligations, whether under common law, in equity, under Regulations or otherwise; whether tortuous, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise;

(gg) "**Licensee Liability Rating**" has the meaning specified in Directive 006 issued by the Alberta Energy Resources Conservation Board (the predecessor to the AER), as revised;

(hh) "**Losses**" means in respect of a Party and in relation to a matter, any and all losses, damages, costs and expenses (including penalties, assessments and fines) which such Party suffers, sustains, pays or incurs as a direct result of such matter, including reasonable costs of legal counsel, on a solicitor and client basis, and other professional advisors and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained, and includes taxes on any settlement payment or damage award received by such Party in respect of such matter (net of any reduction of taxes resulting from the Losses giving rise to such payment or award) but does not include consequential, economic or indirect losses or losses of profits suffered by such Party;

(ii) "**Miscellaneous Interests**" means all right, title, interest and estate of the Vendor in and to all property, rights and assets (other than the Petroleum and Natural Gas Rights and the Tangibles), whether contingent or absolute, legal or beneficial, present or future, vested or not, to the extent pertaining to the Petroleum and Natural Gas Rights, the Lands or lands pooled or unitized therewith or the Tangibles and to which the Vendor is entitled, including the Vendor's interests in the following property, rights and assets:

(i) contracts, agreements, books, records and documents to the extent they relate to the Petroleum and Natural Gas Rights or the Tangibles, including the Title and Operating Documents;

(ii) Surface Interests;

(iii) Permits relating to the Petroleum and Natural Gas Rights, the Tangibles, or Operations; and

(iv) the Wells;

but specifically excluding the Excluded Assets;

(jj) "**Operations**" means any and all operations relating to the exploration for and production and marketing of Petroleum Substances from the Lands or lands pooled or unitized therewith or relating to the Tangibles, including: (i) drilling, completion, testing, reworking, recompleting, deepening, plugging back, side tracking, whipstocking, fracing, stimulating, injecting, equipping, operating and abandoning wells; (ii) construction, repair, expansion, decommissioning, maintenance and operation of oilfield facilities and equipment; (iii) producing, gathering, compressing, dehydrating, scrubbing, processing, treating, separating, extracting, collecting, refrigerating, measuring, storing, transporting or shipping Petroleum Substances (including processing, treatment and storage of sulphur and transmission, transportation, treatment and disposition of water); and (iv) miscible flood and other enhanced recovery schemes;

(kk) "**Party**" means a Person who is bound by this Agreement;

(ll) "**Permits**" means permits, licenses, approvals and authorizations issued by Government Authorities;

(mm) "**Permitted Encumbrances**" means any of the following:

(i) liens for taxes, assessments and governmental charges which are not due or delinquent;

(ii) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, other roads, railways, sewers or drains, gas or oil pipelines or gas or water mains or for electric light, power, telephone, telegraph or cable television conduits, poles, wires or cables;

(iii) the right reserved to or vested in any Government Authority by the terms of any lease, license, franchise, grant or permit or by any Regulations, to terminate such lease, license, franchise, grant or permit or to require annual or other periodic payments or the posting of deposits as a condition of the granting or continuance thereof;

(iv) the right reserved to or vested in any Government Authority to levy taxes on Petroleum Substances produced from the Lands or lands pooled or unitized therewith or the income or revenue attributable thereto or in respect of Operations;

(v) governmental requirements as to Operations, including limitations or restrictions on production rates;

(vi) rights reserved to or vested in any Government Authority to control or regulate any of the Assets in any manner;

(vii) the terms and conditions of the Title and Operating Documents, except provisions thereof that create security interests that would not be Permitted Encumbrances under this clause 1.1(mm);

(viii) penalties which are disclosed in the Land and Well Schedule and which have arisen under operating procedures or similar agreements as a consequence of elections by the Vendor not to participate in operations on the Lands to which the penalty applies;

(ix) undetermined or inchoate liens incurred or created in the ordinary course of business or a lien created as security in favour of the Person conducting Operations related to the Assets to which such liens relate for the Vendor's proportionate share of the costs and expenses of such Operations which are not due or delinquent;

(x) the reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Lands or interest therein and statutory exceptions to title;

(xi) liens granted in the ordinary course of business to a public utility or Government Authority in connection with Operations;

(xii) the burdens, encumbrances, royalties, adverse claims, (including reductions and conversions) and penalties set forth in the Land and Well Schedule;

(xiii) mechanics', builders' and materialmen's liens in respect of services rendered or goods supplied in the course of Operations, but only insofar as such liens relate to goods or services for which payment is not due, or the validity of which is being diligently contested by or on behalf of the Vendor or by the operator of the applicable Assets; and

(xiv) any other circumstance, matter or thing disclosed in any Schedule hereto;

provided that, for certainty, the following items must be identified in a Schedule to qualify as Permitted Encumbrances: (1) overriding royalties, net profits interests and similar encumbrances; (2) existing potential reductions in or alterations of the Vendor's interest because of conversion of a royalty at payout or a farmin, farmout or similar agreement; and (3) any penalty or forfeiture that applies to the Assets because of the Vendor's election prior to the date hereof not to participate in a particular operation;

(nn) "**Person**" means any individual, body corporate, partnership (limited or general), trust, trustee, executor or similar official, Government Authority or other entity;

(oo) "**Petroleum and Natural Gas Rights**" means all of the Vendor’s right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, in the Leases, including working interests and royalty interests, excluding Excluded Assets;

(pp) "**Petroleum Substances**" means petroleum, natural gas and related hydrocarbons, including liquid hydrocarbons, and all other mineral substances, whether liquid, solid or gaseous and whether hydrocarbons or not (except coal, but including sulphur and hydrogen sulphide), produced in association with petroleum, natural gas or related hydrocarbons;

(qq) "**Prime Rate**" means the rate of interest expressed as a rate per annum which the main branch of Canadian Imperial Bank of Commerce in Calgary, Alberta announces publicly from time to time as being the reference rate it uses to determine the interest rate on Dollar denominated commercial demand loans made by it in Canada which it refers to as its "prime rate" or a similar name;

(rr) “**Production Transportation, Processing and Marketing Agreements**" means contracts for the processing, compression, treatment, gathering, storage, transportation or sale of Petroleum Substances produced from the Lands or lands pooled or unitized therewith;

(ss) “Proposal” has the meaning set out in subclause 5.2(a);

(tt) **“Purchaser”** shall mean Delphi as to a one hundred percent (100%) interest;

(uu) "**Purchase Price**" has the meaning set out in clause 2.2;

(vv) "**Purchaser's Losses**" means Losses of Purchaser and its Related Parties;

(ww) "**Related Parties**" means, in reference to a Party, its Affiliates, successors and assigns and its and its Affiliates' directors, officers and employees;

(xx) "**Regulations**" means statutes (including regulations enacted thereunder) and regulations, orders and directives issued by Government Authorities that have the force of law;

(yy) "**Required Approvals**" means consents, waivers, approvals, orders and authorizations required by any Government Authority in respect of the Transaction, excluding Customary Post-Closing Consents and approvals, consents, waivers, orders and authorizations which, if not obtained, would not reasonably be expected to have a material adverse effect on the completion of the Transaction;

(zz) "**Right of First Refusal**" or "ROFR" means a right of first refusal, right of first offer or other pre-emptive right of purchase or similar right whereby any party, other than the Purchaser has the right to acquire or purchase an Asset as a consequence of the Vendor having agreed to sell such Assets to the Purchaser pursuant to this Agreement;

(aaa) **"Surface Interests**" means all right, title, interest and estate of the Vendor to enter upon, use, occupy and enjoy the surface of lands for purposes related to the use, ownership and operation of the Petroleum and Natural Gas Rights or the Tangibles or to gain access thereto, whether the same are held by surface lease, license of occupation, easement, right of way, road use agreement or otherwise;

(bbb) "**Tangibles**" means (i) the Facilities Interests (ii) all right, title interest and estate of the Vendor, whether absolute or contingent, legal or beneficial, present or future, vested or not, in all facilities and equipment that are unit facilities under any unit operating agreement applicable to the Petroleum and Natural Gas Rights and (iii) all right, title interest and estate of the Vendor, whether absolute or contingent, legal or beneficial, present or future, vested or not, in all other tangible depreciable property and assets situate in or on the Lands or appurtenant thereto, and used or intended for use in connection with the Operation of the Wells, including all gas plants, oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, separators, pumps, tanks, boilers, communication equipment and all salvageable equipment pertaining to the Wells;

(ccc) "**Taxation Authority**" means the Canada Revenue Agency or any other Government Authority which is entitled to impose taxes or to administer any tax legislation;

(ddd) "Third Party" means any Person other than Vendor or Purchaser;

(eee) "**Thirteen Month Adjustment**" means a reconciliation payment made pursuant to an agreement which provides that revenues or expenses or both (including operating expenses, processing fee revenues, excess capacity utilization fees, royalties or gas cost allowances or similar cost allowances) will be initially calculated on the basis of estimates and subsequently a reconciliation will be made to account for the differences between the estimates and actual amounts;

(fff) "**Title and Operating Documents**" means all agreements, contracts, instruments and other documents that govern the ownership or use of the Assets or Operations, including: (i) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created, (ii) Permits (iii) operating agreements, unit agreements, pooling agreements, trust declarations, participation agreements, farmin agreements, farmout agreements and royalty agreements, (iv) agreements that create or relate to Surface Interests and (v) trust declarations and other documents and instruments that evidence the Vendor's interests in the Assets;

(ggg) "**Transaction**" means the entering into of this Agreement and the sale and purchase of the Assets in accordance with this Agreement;

(hhh) "**Vendor's Knowledge**" means the actual knowledge of the Vendor's officers whose normal responsibilities relate to the matter in question in the course of their normal duties after reasonable inquiry of Vendor's files and records pertaining to the Assets which are in Vendor's possession and without any further inquiry, but does not include the knowledge of any other Person or constructive knowledge;

(iii) "**Vendor's Losses**" means Losses of the Vendor and its Related Parties; and

(jjj) "**Wells**" means all producing, suspended, shut in, abandoned, water source, disposal, injection or similar wells located on the Lands or any lands pooled or unitized therewith, as identified in the Land and Well Schedule, together with all well licences relating thereto but specifically excluding all abandoned wells that have been reclamation certified

1.2 Interpretation

(a) Unless otherwise stated or the context otherwise necessarily requires, in this Agreement:

(i) **Headings -** the headings of Articles, clauses and subclauses are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

(ii) **Singular, Plural and Gender References** - whenever the singular or masculine or neuter is used, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires.

(iii) **"this Agreement", "herein" etc.** - "this Agreement", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to this Agreement as a whole (including Schedules) and not to any particular Article, clause or subclause on or other provision hereof;

(iv) **Agreement References** - a reference to any agreement or instrument, including this Agreement, is a reference to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time;

(v) **Statute References** - a reference to a statute means the statute as in force on the date hereof and the regulations made pursuant thereto;

(vi) **Article, Clause and Schedule References** - a reference to an Article, clause, subclause or Schedule is, unless otherwise stated, a reference to an Article, clause, subclause or Schedule of this Agreement;

(vii) **"Including"** - "including" means "including without limitation" and "includes" means "includes without limitation"; and

(viii) **"Use of Industry Terms"** – terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom and usage of the petroleum and natural gas industry in Western Canada as of the date of this Agreement, shall have such generally accepted meaning when used in this Agreement unless the contrary is specified or provided for elsewhere in this Agreement.

(b) **Invalidity -** If any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the application of that or any other provision to other Parties or circumstances

(c) **Consents -** Whenever a provision of this Agreement requires an approval or consent, then, unless otherwise specified, (i) such consent or approval shall not be unreasonably withheld, conditioned or delayed, and (ii) if such approval or consent is not delivered within the applicable time limit, the Party whose consent or approval is required shall be conclusively deemed to have consented.

(d) **Time Periods** – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

(e) **Other Documents Subordinate**- All documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of a conflict.

(f) **Schedules. -** The following schedules are attached to, form part of and are incorporated in this Agreement:

(i) Schedule "A" – Land and Well Schedule

(ii) Schedule "B" – General Conveyance

(iii) Schedule "C" – Facilities, Units and Pipelines

(iv) Schedule "D" – Production Transportation, Processing and Marketing Agreements

(v) Schedule "E" – Outstanding Authorities for Expenditure

If there is any conflict or inconsistency between the provisions of the main body of this Agreement and those of a Schedule, the provisions of the main body of this Agreement shall prevail to the extent of the conflict.

ARTICLE 2
PURCHASE AND SALE

2.1 Agreement of Purchase and Sale

(a) Subject to the conditions set forth herein:

(i) the Vendor hereby agrees to sell and convey the Assets to Purchaser; and

(ii) the Purchaser hereby agrees to purchase the Assets from the Vendor;

all on the terms set forth herein. If Closing occurs, title to and possession of the Assets will pass to the Purchaser at the Closing Time and shall be effective as of the Effective Time.

(b) In determining the Purchase Price, the Parties have taken into account the Purchaser's assumption of responsibility for Environmental Liabilities.

2.2 Purchase Price

The Purchase Price payable from the Purchaser to the Vendor for the Assets will be the sum of the following amounts subject to adjustment pursuant to Article 4 hereof.

(a) the Base Price; and

(b) the net amount of the adjustments pursuant to Article 4

2.3 Allocation of Purchase Price

Subject to Article 4, the Purchase Price shall be allocated as follows:

(a)	Miscellaneous Interests	$ 10.00
(b)	Tangibles	$ 1,759,990.00
(c)	Petroleum and Natural Gas Rights	$ 7,040,000.00
	Total	**$ 8,800,000.00**

2.4 Payment of Purchase Price and Adjustments

The Purchase Price and adjustments as estimated at the Closing Time in the Interim Statement shall be paid at Closing by certified cheque or bank draft payable to the Vendor.

2.5 Taxes

(a) Notwithstanding anything contained herein, it is expressly agreed that the Purchase Price does not include any taxes, assessments, fees and charges levied by any governmental authority in respect of the within transaction or imposed upon any of the Assets as a result of the transactions provided in this Agreement. In the event that the Vendor is required to collect from Purchaser in respect of the within transaction or imposed upon any of the Assets any taxes, assessments, fees or charges on behalf of any governmental authority including, without limitation, applicable GST and provincial sales tax, then the Purchaser shall pay the amount of such taxes, assessments, fees or charges to the Vendor at Closing, and the Vendor shall remit those amounts to the relevant taxing authority as required by law. For Closing, the Purchaser shall pay GST on the amounts allocated to the Tangibles and Miscellaneous Interests. The Purchaser shall be responsible for the payment of any additional GST or applicable taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST or other taxes and shall indemnify and save harmless Vendor in respect thereof.

(b) The GST registration number of the Vendor is 84271 6367 RT0001. The GST registration number of Purchaser is 89571 6967 RT0001.

2.6 Assumed Liabilities

On Closing, the Purchaser hereby, without any further action on the part of the Vendor or the Purchaser, assumes and agrees to perform and discharge each of the following liabilities (collectively, the "**Assumed Liabilities**"):

(a) all obligations and liabilities of whatever kind that accrue in connection with ownership or operation of the Assets on or after the Effective Time, including the terms of the Title and Operating Documents, and

(b) all Environmental Liabilities and Abandonment and Reclamation Obligations now existing or arising at any time before, on, or after the Effective Time, the occurrence, existence or non disclosure of which does not constitute or give rise to a failure of the Vendor's representations and warranties set forth in Section 6.

ARTICLE 3
CLOSING AND CONVEYANCING DOCUMENTS

3.1 Place of Closing

Unless otherwise agreed in writing by the Parties, Closing shall take place at the Closing Time at the offices of Vendor at Suite 2200, 635 – 8th Avenue SW, Calgary, Alberta T2P-3M3.

3.2 Effective Time of Transfer

The transfer and assignment of the Assets from the Vendor to the Purchaser shall be effective as of the Effective Time; however, possession and title to the Assets shall not pass to the Purchaser until Closing, provided Closing occurs.

3.3 Conveyance Documents

(a) The Vendor shall be responsible for the preparation of the Conveyance Documents, at the Vendor's cost, and the Purchaser will cooperate fully with the Vendor in all reasonable respects, to effect assignment thereof as of the Closing Date. It is understood that such actions by the Vendor will not include any requirement of the Vendor to expend money, commence any litigation or offer or grant any accommodation (financial or otherwise) to any Third Party. To the extent a deposit or fee is required in order to transfer or register a Permit from the Vendor into the name of the Purchaser, the Purchaser will immediately pay such amount to the Vendor.

(b) Promptly after Closing, the Vendor shall (at the Purchaser's cost):

(i) except as otherwise provided in clause 3.3, register the Conveyance Documents that are to be registered at offices of Government Authorities (including those to be registered at the AER or at the Alberta Department of Energy);

(ii) circulate to Third Parties the Conveyance Documents that are notices of assignments and novation agreements; and

(iii) give notices to the grantors of Surface Interests only as provided in for in clause 3.3

all in accordance with normal oil and gas industry practices, provided that the Purchaser shall be responsible (at its cost) for filing caveats.

(c) The Conveyance Documents shall not require the Vendor to assume or incur any obligation or to provide any representation or warranty beyond that contained in this Agreement.

3.4 Electronic Transfers of Crown Instruments

(a) To the extent electronic registration of Conveyance Documents is permitted by a Government Authority, within five (5) Business Days following Closing, the Vendor shall prepare and electronically submit an application to the appropriate Government Authority to effect such registration and the Purchaser shall electronically ratify and sign such application.

(b) Should any Government Authority deny any electronic application because of a mis-description or other minor deficiency in the application, the Vendor shall promptly correct the application and amend and re-submit such application for the electronic transfer and the Purchaser shall electronically ratify and confirm such application.

(c) If, for any reason, a Government Authority (including the AER) requires a Party to make a deposit in order to approve the transfer of any Permit (including a Well or Facility license), such Party shall promptly make such deposit.

ARTICLE 4
ADJUSTMENTS

4.1 Benefits and Obligations to be Apportioned

(a) Except as otherwise provided in this Agreement all costs and revenues of any kind and nature accruing, payable, paid, received or receivable with respect to the Assets (including rentals, freehold mineral taxes, maintenance, development, capital and operating costs and proceeds from the sale of production,) shall be apportioned, as of the Effective Time, between the Vendor and the Purchaser on an accrual basis in accordance with Canadian generally accepted accounting principles, up to but not including the Closing Date subject to the following:

(i) the cost of work done or goods or services supplied shall be adjusted on the basis of the date upon which the work was performed or the goods or services were supplied regardless of the dates of invoices;

(ii) all rentals, property taxes, freehold mineral taxes and other periodic payments (other than income taxes) shall be apportioned between the Vendor and the Purchaser on a per diem basis as of the Effective Time, whether paid during or relating before or after the Effective Time; and

(iii) Petroleum Substances produced from the Lands or lands pooled or unitized therewith that are in tanks or storage but not sold at the Effective Time shall be credited to the Vendor at the sale price for such Petroleum Substances in effect at the Effective Time net of treating, processing and transportation costs incurred in respect thereof after the Effective Time and net of applicable royalties. No adjustment shall be made in respect of ARTC or similar incentives, or administrative overhead recovered by Vendor in its capacity as operator

(b) All adjustments to be made pursuant to Article 4.1 and 4.2 shall be allocated to the Petroleum and Natural Gas Rights as an adjustment to the Purchase Price.

4.2 Statement of Adjustments

(a) An interim accounting and adjustment will be conducted at Closing, based on the Vendor's good faith estimate of all adjustments to be made pursuant to Article 4 in respect of costs and revenues accrued prior to Closing. Not later than five (5) Business Days before the Closing Date the Vendor shall deliver to the Purchaser a statement (the "**Interim Statement**") setting forth, in reasonable detail, the Vendor's good faith estimate of such adjustments based on the information reasonably available to the Vendor at that time. A further accounting of the adjustments pursuant to Article 4 shall be conducted within one hundred and eighty (180) days following the Closing Date. Vendor shall deliver a “Final Statement of Adjustments” to Purchaser setting forth, in reasonable detail, the adjustments required to be made to the amount previously paid at Closing. Thereafter the Parties shall work diligently to finalize and settle the adjustments within thirty (30) days of delivery of the Final Statement to the Purchaser.

(b) No adjustments shall be made pursuant to Article 4 after the Final Statement is finalized unless a specific request in writing is made by the Party requesting such adjustment to the other Party identifying the required adjustment in reasonable detail within:

(i) twenty-four (24) months following the Closing Date for an adjustment arising from:

(A) a joint venture audit under a joint operating agreement relating to the Assets;

(B) a royalty audit initiated by the royalty owner under a royalty agreement relating to the Assets other than a Crown royalty audit, or

(C) a Thirteenth Month Adjustment relating to the Assets; or

(ii) forty-eight (48) months following the Closing Date for an adjustment arising from a Crown royalty audit or Crown royalty invoice relating to the Assets.

(c) All adjustments shall paid by the Party obliged to make payment within fifteen (15) days of determination of that payment is due pursuant to this Article 4. Interest at the Prime Rate plus one percent (1%) per annum shall be paid on any adjustment which remains unpaid by one Party to the other Party the day after the end of such fifteen (15) day period.

(d) During the twelve (12) month period following receipt by the Purchaser of the Final Statement, the Purchaser may audit the books, records and accounts of the Vendor respecting the Assets for the purpose of effecting adjustments pursuant to Article 4. Such audit shall be conducted upon reasonable notice to the Vendor at the Vendor's offices during the Vendor's normal business hours, and shall be conducted at the sole expense of the Purchaser.

(e) Nothing in Article 4 or the other provisions of this Agreement shall restrict or otherwise interfere with the audit rights of the Vendor under any agreement pertaining to the Assets in respect of the period prior to the Effective Time, it being the intention of the Parties that any adjustments occurring as a result of the exercise of such audit rights by the Vendor shall be for the sole account of the Vendor. Such audit rights shall include the right to initiate an audit or to participate in or receive the benefits from the audit at any time for a period of twelve (12) months following Closing.

(f) Any dispute between the Parties regarding the calculation of adjustments under Article 4 after Closing shall be referred to a nationally recognized firm of chartered accountants in Canada, acting as an expert and not as an arbitrator, whose determination shall be final and shall be binding on both Parties. If the Parties cannot agree on the firm of chartered accountants which shall make such determination, then such firm shall be selected by the Vendor, in good faith, provided that such firm shall not be the auditors of either Party nor have been paid material consulting fees by either Party in the calendar year in which such selection is made or either of the two previous calendar years.

ARTICLE 5
INTERIM PROVISIONS

5.1 Assets to be Maintained in Proper Manner

To the extent that the nature of its interest permits, and subject always to the provisions of the Title and Operating Documents, from the date hereof until Closing, the Vendor :

(a) shall conduct or cause to be conducted, in a proper and prudent manner in accordance with good oil and gas industry practices, such activities relating to the Assets and in material compliance with all Regulations;

(b) shall pay or cause to be paid all costs and expenses relating to the Assets which become due prior to the Closing Date;

(c) shall perform and comply with all covenants and conditions contained in the Title and Operating Documents relating to the Assets and any other agreements and documents to which the Assets are subject; and

(d) shall not, without the prior written consent of the Purchaser:

  (i) initiate or consent to the drilling, completion, recompletion, reworking or abandonment of any wells on the Lands or lands pooled or unitized therewith or any other capital projects in respect of the Assets;

  (ii) amend, vary, waive performance of or consent to a departure from any Title and Operating Documents pertaining to the Assets or enter into any new contract relative to the Assets;

  (iii) approve an AFE in respect of the Assets where the Vendor's share of the costs thereunder is expected to exceed $25,000.00, except that the Vendor may, without the prior written approval of the Purchaser, exceed such expenditure limit if such operation is reasonably required to protect life or property in an emergency situation, in which case the Vendor shall promptly notify the Purchaser of such intention or actions and the Vendor's estimate of the costs and expenses associated therewith;

  (iv) surrender or abandon any of the Assets;

  (v) mortgage, pledge, assign, encumber or otherwise dispose of the Assets, in whole or in part,; or

  (vi) sell, encumber or otherwise dispose any of the Assets, except pursuant to the exercise of a Right of First Refusal and sales of the production of Petroleum Substances in the ordinary course of business.

5.2 Third Party Proposals

(a) If a Third Party proposes an Operation pursuant to a Title and Operating Document between the date hereof and the Closing Time (including casing point and abandonment elections and proposals to drill wells or conduct exploration or development operations under farmout and similar agreements) and the Vendor is not permitted to participate in the Operation pursuant to clause 5.1 or if the Vendor has the right to exercise a right under a Title and Operating Document (including a right of first refusal or a right under an area of mutual interest provision) (each such Operation or exercise of a right or option being referred to as a "**Proposal**") then, in a timely manner, the Vendor shall give notice, including full particulars of the Proposal, to the Purchaser and, as soon as is practicable, the Vendor shall give the Purchaser notice of whether or not the Vendor elects to participate in such Proposal. The notice to the Purchaser shall contain the length of any period during which the Vendor is required to respond to notice of the Proposal or exercise the right under the applicable Title and Operating agreement, at the end of which period the Vendor is deemed to have made an election or give its consent in respect of any notice received by it.

(b) If the Purchaser and the Vendor disagree on the response to the Proposal, a meeting shall be convened immediately to discuss the differences. If consensus is not reached at that meeting, the Vendor will have the unilateral right to decide the response.

(c) The election by the Purchaser not to participate in a Proposal or not to exercise a right that is the subject matter of a Proposal shall not entitle the Purchaser to any reduction in the Purchase Price and the consequences thereof shall not constitute a failure of the Vendor's representations and warranties in Article 6 and any consequence thereof shall not be a title defect.

5.3 Liabilities for Interim Operations

(a) The Vendor shall not be liable to the Purchaser for any Purchaser's Losses as a result of maintaining the Assets pursuant to this Article 4, except to the extent that Purchaser's Losses are caused by the Vendor's negligence or its willful misconduct.

(b) If Closing occurs, the Purchaser shall indemnify the Vendor and its Related Parties against Third Party Claims as a result of maintaining the Assets pursuant to this Article 4, insofar as Vendor's Losses are not a direct result of the negligence or wilful misconduct of the Vendor or its Related Parties.

(c) An action or omission of the Vendor or its Related Parties shall not be regarded as negligence or wilful misconduct to the extent it was done or omitted to be done in accordance with the instructions of or with the written consent of the Purchaser or its Related Parties.

5.4 No Proposals By the Purchaser

Until the Closing Date, the Purchaser shall not be entitled to propose or to cause the Vendor to propose to others, the conduct of any Operations, or the exercise of any right or option in relation to the Assets, except with the written consent of the Vendor which may be withheld at the Vendor's sole discretion.

5.5 Access to Information Prior to Closing

The Vendor shall make available to the Purchaser and its representatives prior to the Closing Date, all files, documents, agreements and correspondence comprising part of the Assets or affecting the title of the Vendor to, or the environmental condition of the Assets, or pertaining to operating revenues and expenses in respect thereof, including, without limitation, geological and engineering data and well and production records relating to the Assets which are in the possession of Vendor or to which Vendor has access, for such inspection as Purchaser reasonably requires provided that the Vendor shall not be required to make any Excluded Assets available to the Purchaser.

5.6 Insurance

The Vendor shall maintain the insurance with respect to the Assets and Operations that it currently maintains until the Closing Date. The Vendor will have no obligation to maintain such insurance after the Closing Date. The following provisions shall be applicable to insurance:

(a) if there is an incident between the Effective Time and the Closing Date that results in damage to the Tangibles for which the Vendor has repaired and for which the Vendor is entitled to receive a property damage insurance claim payment:

(i) to the extent such insurance proceeds are received by the Vendor prior to Closing, then, in the adjustments made pursuant to Article 4, the Purchaser will be entitled to a credit equal to the amount of such insurance less the costs of repairing or replacing the damaged Tangibles incurred by the Vendor prior to the Effective Time; and

(ii) to the extent such insurance proceeds are not received by the Vendor prior to Closing, the Purchaser will not be entitled to a credit in respect thereof in the adjustments made pursuant to Article 4 and, at the request of the Purchaser, the Vendor will use reasonable efforts to collect such insurance after Closing at the Purchaser's cost and, promptly after such proceeds are received by the Vendor, the Vendor will remit the proceeds thereof to the Purchaser less the unreimbursed costs of repairing or replacing the damaged Tangibles incurred by the Vendor prior to the Effective Time.

(b) Except as provided in clause 5.6(a), no adjustments will be made pursuant to Article 4 in respect of insurance.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF PARTIES

6.1 Mutual Representations and Warranties

Each Party represents and warrants to the other Party as follows:

(a) **Organization and Standing**: it is a corporation existing under the laws of Alberta or British Columbia, as applicable, duly qualified under the laws of those jurisdictions in which it is required to be qualified in order to carry on its business;

(b) **Requisite Authority:** it has all requisite power and authority to enter into this Agreement, the Conveyance Documents and all other documents to be executed and delivered hereunder and to perform its obligations under this Agreement, the Conveyance Documents and all other documents to be executed and delivered by it hereunder and has authorized and taken all corporate action necessary to authorize the execution, delivery and performance of this Agreement, the Conveyance Documents and all other documents to be executed and delivered by it hereunder and the completion of the Transaction in accordance with this Agreement;

(c) **No Conflicts:** the execution and delivery of this Agreement and all other documents to be executed and delivered by it hereunder and the consummation of the Transaction do not and will not:

(i) result in the breach of or violate any term or provision of its or its partners' articles of incorporation or by-laws;

(ii) conflict with, result in a breach of, constitute a default under, or prohibit the performance required by, any agreement, instrument, licence, permit or authority to which it is a party or by which it is bound or to which any of its property is subject or result in the creation of any lien, charge or encumbrance upon the Assets under any such agreement, instrument, licence, permit or authority; or

(iii) violate any Regulations.

(d) **Execution and Enforceability:** this Agreement has been duly executed and delivered by it and the General Conveyance, the Conveyance Documents and all other documents to be executed or delivered by it pursuant hereto on the Closing Date or thereafter shall be duly executed and delivered by it and this Agreement does, and such documents will, constitute legal and valid binding obligations of it enforceable against it in accordance with their respective terms;

(e) **No Approvals:** there are no regulatory approvals, authorizations, rulings or consents of or filings with Government Authorities required to be obtained or made by it in respect of the Transaction other than Customary Post-Closing Consents;

(f) **Finder's Fee:** it has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation with respect to the Transaction for which the other Party shall have any obligation or liability whatsoever; and

(g) **Licensee Liability Rating:** Its Licensee Liability Rating is now greater than one, will be greater than one at the Closing Time and will be greater than one when Conveyance Documents that are registered at the AER are submitted for registration.

6.2 Vendor's Representations and Warranties

Vendor represents and warrants to the Purchaser as follows:

(a) **Title to the Assets:** it does not warrant title to the Assets except that it warrants that, other than Permitted Encumbrances:

(i) the Assets are free and clear of all liens, adverse claims, charges, conversion rights, and encumbrances created by, through or under it;

(ii) it has not done any act or thing whereby any of the Assets may be cancelled;

(iii) subject, in the case of the Asset, to the rents, covenants, conditions and stipulations in the Title and Operating Documents, after Closing the Purchaser shall be entitled to hold and enjoy the Assets without any lawful interruption by any Person claiming by, through or under the Vendor or its Affiliates;

(iv) the Petroleum and Natural Gas Rights are not subject to reduction by virtue of the conversion or other alteration of the interest of any third party claiming by, through or under the Vendor; and

(v) none of the Wells is subject to a production penalty arising under a contract as a result of an election by it not to participate in a drilling or other operation;

(b) **No Default Notices:** as at the date hereof to its knowledge, it has not received nor delivered any written notices of violation or alleged violation of any material provisions of any Title and Operating Document or Regulations in respect of the Assets, and to Vendor’s Knowledge, there has been no act of omission by Vendor that reasonably could constitute a breach of or a default under a Title and Operating Document that has not been remedied in all material respects, or which if unremedied, could reasonably be expected to have a material adverse effect on the value of the Assets taken as a whole;

(c) **Compliance with Title and Operating Documents:** to the Vendor's Knowledge, it has performed, observed and satisfied all of its material duties, liabilities, obligations and covenants required as at the date hereof to be satisfied, performed and observed by it under, and is not in default under or in breach of any material provision of any, Title and Operating Document or any of the Regulations in respect of the Assets;

(d) **Operation of Wells:** with respect to the Wells listed on Schedule A:

(i) to Vendor’s Knowledge, those Wells for which Vendor is not operator have been Operated, and if applicable, abandoned in all material aspect in accordance with good oil and gas field practices and the material requirements of all applicable laws and Regulations;

(e) **Operation of Tangibles**: with respect to the Tangibles:

(i) the Tangibles for which Vendor is not operator have been Operated in all material respects in accordance with good oil and gas field practices and the material requirements of all applicable laws and Regulations;

(f) **No Claims**: as at the date hereof there are no Claims which have been served upon it or its Affiliates, or to the Vendor's Knowledge, threatened, or pending in respect of, or relating to, the Assets, and to the Vendor’s Knowledge, there has been no act or omission by Vendor that reasonably could constitute a breach of any applicable laws or Regulations that has not been remedied in all material respects, or which if unremedied, could reasonably be expected to have a material adverse effect on the value of the Assets taken as a whole;

(g) **No Take or Pay Obligations:** the Assets are not subject to any take or pay or similar obligations;

(h) **No Offsets**: to Vendor's Knowledge, none of the Leases are subject to any offset obligations (including obligations to drill wells, surrender rights or pay compensatory royalties);

(i) **Production Transportation, Processing and Marketing Agreements:** except as set forth in Schedule "D", there are no Production, Transportation, Processing and Marketing Agreements to which it or any Person acting on its behalf is a party or by which it is bound that are applicable to the Vendor's share of Petroleum Substances produced from the Lands or lands pooled or unitized therewith that are not terminable without penalty on notice of thirty-one (31) days or less;

(j) **Payment of Royalties:** to the Vendor's Knowledge, all relevant ad valorem and property taxes, production taxes, Crown royalties, deposits, rentals and freehold and overriding royalties in respect of the Assets which have become due and payable by the Vendor prior to the date hereof have been paid;

(k) **Outstanding AFEs:** except as set forth in Schedule "E", there is no AFE or commitment pursuant to which the Vendor may be obligated to pay capital costs incurred after the Effective Time in respect of the Assets (including costs of drilling, completing, equipping wells or constructing facilities) its share of which is reasonably expected to exceed Twenty-five Thousand Dollars ($25,000) and there is no outstanding cash call with respect to the Assets, its share of which exceeds Twenty-five Thousand Dollars ($25,000);

(l) **No Reduction:** the interest of the Vendor in the Assets are not subject either to reduction by virtue of the conversion or other alteration of the interest of any Third Party claiming by, through or under the Vendor, or to reduction by the operation of any penalty created by, through or under the Vendor, except for the Permitted Encumbrances;

(m) **Rights of First Refusal:** the Assets are not subject to any Rights of First Refusal;

(n) **Areas of Mutual Interest:** there are no areas of mutual interest or areas of exclusion applicable to the Assets that remains in effect as of the Closing Date and to the Vendor's Knowledge, the Vendor has fully complied with and has not breached any of the terms of any such areas of mutual interest or areas of exclusion in respect of the Assets;

(o) **Environmental Matters:** to the Vendor's Knowledge, it has not received any:

(i) orders or directives under Environmental Laws that require any work, repairs, construction or capital expenditures with respect to the Lands, lands pooled or unitized therewith or the Assets, which has not been complied with in all material respects; or

(ii) demand or notice relating to the Lands, lands pooled or unitized therewith or the Assets issued by a Government Authority alleging any Environmental Liabilities or with respect to the breach of an Environmental Law, including in respect of the use, storage, treatment, transportation, handling or disposition of environmental contaminants or the protection of the Environment, which demand or notice remains outstanding on the date hereof; and

(iii) to the Vendor’s knowledge, no particular circumstances exists that may give rise to any of the foregoing;

(p) **Residency:** it is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada) R.S.C. 1985, c.1 (5th Supplement); and

6.3 Purchaser's Representations and Warranties

The Purchaser represents and warrants to the Vendor as follows:

(a) **Acquiring as Principal:** the Purchaser is acquiring all of the Assets as a principal, for its own benefit, and not as an agent for any Third Party;

(b) **Availability of Funds:** it has the financial resources in place and available to it to enable it to pay the Purchase Price on the Closing Date and all other amounts to be paid by it hereunder in accordance with and on the basis contemplated by this Agreement;

(c) **Canadian**: it is not a non-Canadian for the purposes of the Investment Canada Act.

(d) **Continued Existence of Purchaser**: there is no present plan or intention for it to cease to remain in existence.

6.4 No Additional Representations or Warranties by the Vendor

The Vendor makes no representation or warranty, express or implied, in fact or by law, with respect to:

(a) its title to the Assets;

(b) the quality, condition, merchantability, serviceability or suitability or fitness for any particular purpose of any of the Assets;

(c) the quality, quantity or recoverability of the Petroleum Substances within, upon or under the Lands or any lands pooled or unitized therewith;

(d) the value of the Assets or the future revenues or cash flows therefrom;

(e) any engineering, geological, production or other information or interpretations thereof or any economic evaluations of the Assets;

(f) any other data or information supplied by the Vendor or its Related Parties to the Purchaser or its Related Parties or agents in connection herewith; or

(g) the environmental condition of any of the Lands or Assets or any Environmental Liability, except as set forth in subclause 6.2(n).

The Purchaser acknowledges that, with the exception of the representations and warranties made by the Vendor in clauses 6.1 and 6.2 and the performance by the Vendor of its obligations under this Agreement, the Purchaser is acquiring the Assets on an "as is where is" basis and is relying solely on its own legal advisors and its own investigations and due diligence of the Assets and that it has made, or has had others make, such evaluation and inspection of the Assets as it deems appropriate, and is not relying on any representation or warranty or covenant not contained in this Agreement or on any statement or discussions with the Vendor, its Related Parties or any of their representatives or agents.

The Vendor expressly negates and disclaims, and (except for the representations and warranties of the Vendor in clauses 6.1 and 6.2) the Vendor shall not be liable for, any representation, warranty or covenant made in any other document or instrument or for any statement or information provided by the Vendor or its Related Parties or their agents, solicitors, accountants, consultants or representatives to the Purchaser or its Related Parties or their agents, solicitors, accountants, consultants or representatives in any manner.

6.5 Survival of Representations and Warranties

The representations and warranties in clauses 6.1, 6.2 and 6.3 shall survive the Closing and not be merged in any conveyances or other documents provided pursuant to this Agreement, provided that no Claim may be made or enforceable by a Party pursuant to or based in any way upon any of these representations and warranties or any indemnity in respect thereof unless written notice of such Claim with reasonable particulars shall have been provided by such Party to the Party against whom such Claim is made within twelve (12) months from the Closing Date.

ARTICLE 7
THIRD PARTY RIGHTS AND CONSENTS

7.1 Operatorship and Consents

Nothing in this Agreement shall be interpreted as any assurance by the Vendor that the Purchaser will be able to serve as operator with respect to any of the Assets in which interests are held by Third Parties. The Vendor shall have no Liability to the Purchaser or its Related Parties as a result of the Purchaser not being designated as the operator of any of the Assets.

Where an assignment of any of the Assets requires the consent of Third Parties, Vendor shall use commercially reasonable efforts to obtain such consents prior to Closing. After Closing, Vendor shall cooperate with Purchaser in Purchaser's attempts to secure such consents.

ARTICLE 8
CONDITIONS PRECEDENT TO CLOSING AND DELIVERIES

8.1 Purchaser's Closing Conditions

The obligation of the Purchaser to close the Transaction is subject to the satisfaction of the following conditions:

(a) in all material respects, the Vendor shall have performed or complied with all of the covenants of this Agreement to be performed or complied with by the Vendor at or prior to the Closing Date;

(b) the Leases shall be in good standing as of the Closing Date;

(c) the representations and warranties made by the Vendor in Article 6 shall be true and correct in all material respects as of the date hereof and at and as of the Closing Date;

(d) the Purchaser shall be permitted access to review the Vendor’s Title and Operating Documents with respect to the Vendor’s title to the Assets and the Purchaser shall be satisfied with the Vendor’s title to the Assets, acting reasonably;

(e) the Purchaser and/or its agent shall have been given the opportunity to complete an inspection of all associated well sites, facilities, pipelines and equipment and to make environmental and other assessments of the Assets and the Purchaser shall be satisfied with the environmental condition of the Assets, acting reasonably;

(f) during the period between the Effective Time and the Closing Time there shall have been no physical damage to the Assets that would have a material adverse effect on the value of the Assets taken as a whole;

(g) no Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Transaction which has not been vacated or dismissed prior to the Closing Time;

(h) at the Closing Time, Purchaser shall have duly delivered the agreements, certificates and other instruments and documents required pursuant to clause 8.5;

(i) the receipt of all consents and approvals from all Governmental Authorities;

(j) the Vendor shall have delivered to the Purchaser the Conveyance Documents executed by the Vendor and those other documents and materials described in Section 3.2 and 3.3 which are to be provided to the Purchaser at the Closing; and

(k) the Vendor shall have delivered to the Purchaser releases and registerable discharges or no-interest letters from all parties holding security interests in the Assets.

The Closing conditions in Article 8 are for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part at the discretion of the Purchaser by written notice from the Purchaser to the Vendor at or before Closing without prejudice to any claim the Purchaser may have for any breach of any representation, warranty or covenant of the Vendor in this Agreement, whether similar or dissimilar to the condition or conditions waived. If any of such conditions are not satisfied or waived by the Purchaser at or before the Closing Date, the Purchaser may terminate this Agreement by written notice to the Vendor.

8.2 Vendor's Closing Conditions

The obligation of the Vendor to close the Transaction is subject to satisfaction of the following Closing conditions that are for the exclusive benefit of the Vendor and may be waived in whole or in part by the Vendor by written notice from the Vendor to the Purchaser at or before Closing:

(a) in all material respects, the Purchaser shall have performed or complied with all of the covenants of this Agreement to be performed or complied with by the Purchaser at or prior to the Closing Date;

(b) the representations and warranties made by the Purchaser in Article 6 shall be true and correct in all material respects as of the date hereof and at and as of the Closing Date; and

(c) at the Closing Time, the Purchaser shall have tendered or caused to be tendered to the Vendor the Purchase Price as estimated in the Interim Statement;

(d) no Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Transaction which has not been vacated or dismissed prior to the Closing Time;

(e) at the Closing Time, Purchaser shall have duly delivered the agreements, certificates and other instruments and documents required pursuant to clause 8.4; and

(f) TSX Venture Exchange approval to the Transaction will have been received.

8.3 Efforts To Fulfill Conditions Precedent

The Vendor and the Purchaser will each use, and cause their respective Related Parties to use, reasonable commercial efforts to cause the conditions set forth in clauses 8.1 and **Error! Reference source not found.** to be fulfilled and satisfied as soon as practicable. After Closing, the Parties shall co-operate in seeking Customary Post-Closing Consents.

8.4 Deliveries of the Vendor

(a) At Closing, if the Closing conditions set forth in Clause 8.2 are satisfied or waived by the Vendor, the Vendor shall deliver or cause to be delivered to and in favour of the Purchaser, against those deliveries required to be made by the Purchaser at Closing, the following:

  (i) receipt for payment of the Purchase Price estimated in the Interim Statement at Closing;

  (ii) the General Conveyance, in the form attached as Schedule "B", which has been executed by the Vendor;

(iii) all Conveyance Documents that are to be delivered at Closing pursuant to clause 3.2 executed by the Vendor or its Affiliate (as applicable);

(iv) copies of all waivers of Rights of First Refusal obtained by the Vendor with respect to the Transaction; and

(v) copies of all releases and registerable discharges, or no interest letters, from all parties holding security interest in the Assets; and

(vi) any and all other documents which are required to be delivered by the Vendor to the Purchaser pursuant hereto.

(b) All deliveries of the Vendor shall, except as otherwise stated, be in a form acceptable to each of the Vendor and the Purchaser and their respective solicitors, acting reasonably.

8.5 Deliveries of the Purchaser

(a) At Closing, if the Closing conditions set forth in clause 8.1 are satisfied or waived by the Purchaser, the Purchaser shall deliver or cause to be delivered to and in favour of the Vendor, against those deliveries required to be made by the Vendor at Closing, the following:

(i) payment of the Purchase Price estimated in the Interim Statement and the GST payable pursuant to Article 2to the Vendor;

(ii) the General Conveyance in the form attached as Schedule "B", which has been executed by the Purchaser; and

(iii) any and all other documents which are required to be delivered by the Purchaser to the Vendor pursuant hereto.

(b) All deliveries of the Purchaser shall, except as otherwise stated, be in a form acceptable to each of the Vendor and the Purchaser and their respective solicitors, acting reasonably.

ARTICLE 9
RIGHTS OF FIRST REFUSAL

9.1 Rights of First Refusal

(a) There are no Rights of First Refusal associated with the assets being sold by Vendor and purchased by Purchaser.

ARTICLE 10
CONFIDENTIALITY

10.1 The Purchaser's Obligation to Maintain Information Confidential

Prior to the Closing Date, information respecting the Assets, the Vendor and its Related Parties shall be retained in confidence by the Purchaser and its Related Parties and used only for the purposes of the Transaction. After Closing, the Purchaser's rights to use or disclose information respecting the Assets shall be subject only to the Title and Operating Document agreements that may apply thereto.

ARTICLE 11
LIABILITIES AND INDEMNITIES

11.1 The Vendor's Indemnities

Subject to Article 5 and clauses 6.5 and 11.33, after the Closing, the Vendor shall indemnify, defend and keep harmless the Purchaser and its Related Parties from and against any and all of Purchaser’s Losses resulting from:

(a) breaches of the representations and warranties made by the Vendor in clauses 6.1 and 6.2 or breaches of covenants or agreements made by the Vendor in this Agreement; or

(b) Claims made by Persons other than the Purchaser and its Affiliates and their successors and assigns that relate to the Assets and that arise from or relate to acts, omissions, events or circumstances occurring before the Effective Time other than Claims of Environmental Liabilities and Claims for the payment of costs that are for the Purchaser’s account under **Error! Reference source not found.**.

11.2 The Purchaser's Indemnities

Subject to Article 5 and clauses 6.5 and 11.3, after the Closing, the Purchaser shall indemnify, defend and keep harmless the Vendor and its Related Parties, from and against any and all of Vendor’s Losses resulting from:

(a) breaches of the representations and warranties made by the Purchaser in clauses 6.1 and 6.3 or breaches of covenants or agreements made by the Purchaser in this Agreement;

(b) Claims related to the Assets arising from or related to acts, omissions, events or circumstances occurring after the Effective Time other than Claims for the payment of costs that are for Vendor’s account under **Error! Reference source not found.**;

(c) all Environmental Liabilities arising from or relating to, acts, omissions, events or circumstances, occurring before, on or after the Effective Time, including the effects of, and the costs of complying with any order or direction of any Government Authority having jurisdiction;

11.3 Limitations on Liability

(a) Notwithstanding anything herein to the contrary:

(i) the indemnities provided in clauses 11.1 and 11.2 shall not apply to Losses to the extent reimbursed by insurance to the Party claiming indemnity or caused by the negligence, willful default or misconduct of such Party, except that the indemnity in subclause

11.2(c) (Environmental Liabilities) shall apply to Liabilities resulting from the Vendor's negligence, willful default or misconduct;

(ii) the Vendor shall have no obligation to indemnify the Purchaser in respect of any Environmental Liabilities pursuant to clause 11.1 except to the extent resulting from a breach of the representation and warranty in clause 6.2(o)(r) and then subject to the provisions of clause 6.5 and the other provisions of this clause 11.3;

(iii) the sole remedy after Closing for a Party's breach of a warranty or covenant or incorrectness of a representation shall be the indemnities provided in clause 11.1 or 11.2;

(iv) if an Indemnified Party's Losses at any time subsequent to the making of an indemnity payment are reduced by any net tax benefit or recovery, the amount of such reduction shall promptly be repaid by the indemnified Party to the indemnifying Party; and

(v) the Parties acknowledge and agree that an obligation under this Agreement to provide written notice of a Claim within twelve (12) months from the Closing Date and in a manner specified under this Agreement is intended by the Parties as a limitation of liability that represents a fair and equitable allocation of the risks and liabilities that each Party has agreed to assume in connection with the subject matter hereof and is not an agreement within the provision of subsection 7(2) of the *Limitations Act* (Alberta).

(b) Notwithstanding any other provision of this Agreement, the total liability of the Vendor pursuant to any of the covenants, or representations in this Agreement (other than Articles 4 and 18) shall not exceed in the aggregate an amount equal to the Purchase Price. Vendor’s liability under this Agreement in respect of any and all such breaches (other than Articles 4 and 18) shall be subject to the following limitations:

(i) Vendor shall have no liability for an individual breach of any representation, warranty, covenant or indemnity if the Purchaser’s Losses in respect thereof are less than one (1%) percent of the Purchase Price; and

(ii) Vendor shall only be liable for breaches of its representations, warranties, covenants and indemnities in this agreement if the aggregate of the Purchaser’s Losses in respect to all breaches which meet the threshold set forth in paragraph (i) above exceeds five percent (5%) of the Purchase Price (the “Deductible”), in which event, subject to clauses 11.3(a) and 11.3(b)(i), Vendor shall be liable for the full amount of all the Purchaser’s Losses in respect of all such breaches exceeding the Deductible.

11.4 Substitution and Subrogation

Insofar as reasonably possible, each Party shall have full rights of substitution and subrogation in and to all covenants, representations and warranties by others previously given or made in respect of the Assets or any of them.

11.5 No Merger

The covenants, representations and warranties Agreement shall survive Closing, subject to the express terms hereof, and there shall not be any merger of any of such covenants, representations or warranties in the assignments, transfers or documents executed at or after Closing notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

ARTICLE 12
TERMINATION

12.1 Termination

(a) If this Agreement is terminated pursuant to clause 8.1 or **Error! Reference source not found.**:

(i) each Party shall be released from all obligations hereunder except as provided in Article 10; and

(ii) each Party will each bear all costs incurred by it prior to such termination.

ARTICLE 13
INFORMATION, MATERIALS CONTINUING REPORTS AND OBLIGATIONS

13.1 Delivery of Vendor's Records

Within ten (10) Business Days of the Closing, the Vendor shall deliver to the Purchaser the agreements and files, pertaining to the Assets comprised in the Miscellaneous Interests that are in the Vendor's possession or control, unless and to the extent that the Purchaser agrees to allow the Vendor to deliver all or any of such agreements and files at a later date. The Vendor shall be entitled to retain a copy of any of such agreements and files. The Vendor shall be entitled to retain original copies of any of such agreements or files that relate to properties in which the Vendor retains an interest, in which event the Vendor shall deliver a copy thereof to the Purchaser.

ARTICLE 14
WAIVER

14.1 Waiver Must be in Writing

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

ARTICLE 15
ASSIGNMENT

15.1 Assignments Before Closing

Prior to Closing, neither Party may assign its interest in or under this Agreement or to the Assets without the prior written consent of the other Party, except as may be required by the Vendor to comply with its obligations respecting Rights of First Refusal as provided in Article 7.

15.2 Assignments by the Purchaser After Closing

No assignment, transfer or other disposition of this Agreement or all or any portion of the Assets by the Purchaser after Closing shall relieve the Purchaser from its obligations to the Vendor herein.

ARTICLE 16
NOTICE

16.1 Service of Notice

All notices required or permitted hereunder or with respect to this Agreement shall be in writing and shall be deemed to have been properly given and delivered when delivered personally or transmitted by confirmed facsimile addressed to the Parties, respectively, as follows:

Vendor: Blackbird Energy Inc.
& Pennant Energy Inc.
Suite 2200, 635 – 8th Avenue S.W.
Calgary, Alberta
T2P 3M3

Attention: Land Department
Fax: (403)

Purchaser: Delphi Energy Corp.
Suite 300, 500 – 4 Avenue S.W.
Calgary, AB T2P 2V6

Attention: Land Department
Fax: (403) 265-6207

Any notice or communication sent by personal service or facsimile shall be deemed received when delivery is made or reception of the transmission is complete except that, if such delivery or transmission is sent on a day which is not a Business Day or after 4:00 p.m. then the same shall be deemed received on the next Business Day.

16.2 Right to Change Address

A Party may change its address for service by notice to the other Party, and such changed address for service thereafter shall be effective for all purposes of this Agreement.

ARTICLE 17
PUBLIC ANNOUNCEMENTS

17.1 Public Announcements

No public announcement or press release by a Party concerning the Transaction shall identify the name of the other Party or any shareholder thereof or be made by a Party without the prior written consent and approval of the other Party; provided that nothing contained herein shall prevent a Party at any time furnishing any information to any Government Authority or to the public if required by the Regulations or the rules of a stock exchange on which securities of such Party or any of its Affiliates are listed for trading. A Party which proposes to make such a public disclosure shall, to the extent reasonably possible, provide the other Party with a draft of such statement in sufficient time prior to its release to enable the other Party to review such draft and advise that Party of any comments it may have with respect thereto.

ARTICLE 18
POST CLOSING ADMINISTRATION

18.1 Coordination of Administrative Matters

(a) After Closing, until the Purchaser becomes the recognized holder of the Assets in the place of the Vendor, the Vendor shall:

(i) receive and hold all proceeds, benefits and advantages accruing from the Assets that accrue to the Vendor for the benefit, use and ownership of the Purchaser, with entitlement (in the case of money) to commingle them with its own or any other assets;

(ii) within forty five (45) days of receipt by the Vendor, deliver to the Purchaser all revenues (including revenues from the sale of production relating to the period after the Effective Time), proceeds and other benefits received by the Vendor that relate to the Assets and to which the Purchaser is entitled, provided that the Vendor shall be entitled to deduct therefrom any amounts owing by the Purchaser to the Vendor relating to the Assets;

(iii) in a timely manner deliver to the Purchaser all Third Party notices and communications received by the Vendor in respect of the Assets;

(iv) in a timely manner deliver to Third Parties all notices and communications as the Purchaser may reasonably request and all monies and other items the Purchaser reasonably provides in respect of matters relating to the Assets; and

(v) as agent of the Purchaser, do and perform all acts and things, and execute and deliver all agreements, notices and other documents and instruments, that the Purchaser reasonably requests for the purpose of facilitating the exercise of rights incidental to the ownership of the Assets that (A) the Purchaser is not reasonably able to exercise because it is not recognized as the owner of the Assets and (B) the Vendor is reasonably able to exercise because it is recognized as the owner of the Assets.

Within thirty (30) days of receipt by the Purchaser of a request from the Vendor, the Purchaser shall reimburse the Vendor the amount of any costs paid by the Vendor after Closing in respect of the Assets that are for the Purchaser's account under Article 4, provided the request contains particulars of the costs and a statement by the Vendor that it has paid the costs.

(b) The Vendor shall not be liable to the Purchaser for any of Purchaser's Losses in connection with the arrangements described in subclause 18.1(a), except to the extent that the Purchaser's Losses are caused by the Vendor's gross negligence or wilful misconduct.

(c) The Purchaser shall indemnify and save harmless the Vendor and its Related Parties from and against all of Third Party Claims arising out of or related to the performance by the Vendor of its obligations under subclause 18.1(a) except to the extent caused by the Vendor's or its Related Parties' gross negligence or willful misconduct, provided that the Purchaser shall not be required to reimburse the Vendor's overhead and general administrative costs.

(d) An action or omission of the Vendor or its Related Parties shall not be regarded as gross negligence or willful misconduct to the extent it was done or omitted to be done in accordance with the instructions of, or with the concurrence of, the Purchaser.

(e) Nothing in this clause 18.1 shall be construed as extending, restricting or limiting in any manner any of the other covenants, warranties, representations or other obligations of the Parties under this Agreement.

(f) Subject to clause 18.3, after Closing, where the Purchaser is assuming operatorship of any of the Assets, the Purchaser shall be responsible for submission of any reports required by the Regulations, including monthly production reports, pertaining to the Assets. If requested by the Purchaser, the Vendor shall assist the Purchaser (at the Purchaser's cost) in compiling pre-Closing production data.

18.2 Marketing of Production

Subject to the provisions of this clause, the Purchaser hereby authorizes the Vendor, without any obligation of the Vendor to do so, to continue to market production from the Assets that are subject to contracts for the sale of crude oil and other liquid hydrocarbons that are terminable on thirty (30) days or less notice, which contracts may not be listed in Schedule "D", from the Closing Date until the end of the month next succeeding the month in which Closing takes place.

18.3 Administration

The Vendor shall retain the responsibility for administration of the Assets for all periods of time prior to the Closing Date and for the calendar month in which Closing occurs to the extent not the responsibility of Third Party operator under a Title and Operating Document. For the purpose of this Clause the expression "administration" shall mean responsibility for joint venture billing, computation and payment of royalties, filing of production reports with appropriate governmental authorities and other similar administrative activities.

18.4 Vendor's Access to Records

After Closing, the Vendor may, upon reasonable notice to the Purchaser and subject to contractual restrictions relative to disclosure, have access during normal business hours to the Title and Operating Documents and the other files, reports and data pertaining to the Assets comprised in the Miscellaneous Interests and to obtain and copy such information to the extent reasonably required by the Vendor in respect of matters arising in, or relating to, any period of time prior to Closing (but only for such purposes) including:

(a) in connection with audits;

(b) in connection with the preparation of tax returns;

(c) in connection with the Vendor’s' dealings with Government Authorities;

(d) in connection with any matters pertaining to the Assets for which the Vendor retains liability;

(e) to comply with the Regulations; or

(f) in connection with any action, suit or proceeding commenced or threatened by the Purchaser or any Third Party against the Vendor or its Related Parties for which the Vendor or any of its Related Parties may have any liability.

ARTICLE 19
MISCELLANEOUS PROVISIONS

19.1 Further Assurances

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

19.2 Regulations and Attornment

This Agreement shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract. Except as provided in clauses 4.2(f), the Parties irrevocably submit to the exclusive jurisdiction of the courts of the Province of Alberta and the courts of appeal therefrom. The Parties each hereby attorn to and accept the jurisdiction of such courts.

19.3 Time

Time shall be of the essence in this Agreement.

19.4 Continuing Agreement

After Closing, the covenants and agreements contained in this Agreement shall continue in effect until performed and discharged except to the extent the continued effectiveness or enforceability of any such agreement or covenant is limited in duration by the express provisions hereof.

19.5 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties hereto with respect to the subject matter hereof, including any letter agreements between the Purchaser and the Vendor. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by all Parties.

19.6 Enurement

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns. No Person other than the Parties and their successors and permitted assigns shall be entitled to any rights or benefits hereunder.

19.7 Limitation Period

The two-year period for seeking a remedial order for breach of this Agreement under Section 3 of the Limitations Act, R.S.A. 2000, c.L. 12 as amended, for any claim (as defined in that Act) arising in connection with this Agreement is extended to four (4) years.

19.8 No Merger

The representations, warranties and covenants in this Agreement shall not merge in any documents delivered at Closing, but shall survive Closing for the benefit of the Parties subject to the limitations set forth in this Agreement.

19.9 Counterparts

This Agreement may be executed in counterpart and all executed counterparts together shall constitute one agreement. Signature pages from separate counterparts may be faxed and may be combined to form a single counterpart. This Agreement shall not be binding upon any Party unless and until executed by all Parties.

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written.

BLACKBIRD ENERGY INC.

Per: ***/s/Garth Braun***
Garth Braun – President & CEO

PENNANT ENERGY INC.

Per: ***/s/Garth Braun***
Garth Braun – President & CEO

DELPHI ENERGY CORP.

Per: ***/s/Michael Galvin***
Michael Galvin – Vice President, Land

THIS IS AN EXECUTION PAGE TO THE PURCHASE AND SALE AGREEMENT DATED THE 5th DAY OF SEPTEMBER, 2014 BETWEEN BLACKBIRD ENERGY INC., PENNANT ENERGY INC., COLLECTIVELY AS VENDOR, AND DELPHI ENERGY CORP., AS PURCHASER.

SCHEDULE "A" TO THE PURCHASE AND SALE AGREEMENT DATED THE 5th DAY OF SEPTEMBER, 2014 BETWEEN BLACKBIRD ENERGY INC. AND PENNANT ENERGY INC., COLLECTIVELY AS VENDOR, AND DELPHI ENERGY CORP. AS PURCHASER.

PETROLEUM AND NATURAL GAS RIGHTS

LEASES	LANDS	VENDOR'S INTEREST	PERMITTED ENCUMBRANCES	WELLS
P&NG Licence No. 5410110275	Twp 60 Rge 22W5M: Section 28 - PNG below base Dunvegan to Top Triassic Twp 60 Rge 22W5M: W1/2 28 – PNG below base Triassic to Basement TWP 60 Rge 25W5M: E1/2 28 – PNG below base Triassic to Basement excl NG in Woodbend	50%	Crown S/S 2% no deducts GOR to Fountainhead	None
P&NG Licence No. 5410110275	Twp 60 RGE 22W5M: Section 28 – PNG In Triassic	25%	Crown S/S 2% no deducts GOR to Fountainhead	100/13-33-60-22W5
P&NG Licence No. 5410080334	Twp 60 Rge 22 W5M: Section 29, 31 & 32 – PNG below base Bluesky Bullhead to base Triassic	50%	Crown S/S 2% no deducts GOR to Fountainhead	100/15-32-60-22W5
P&NG Licence No. 5410080334	Twp 60 Rge 22W5M - 14-29 Wellbore Only	BPO – APO 75%* 50%	Crown S/S 2% no deducts GOR to Fountainhead *10% GOR convertible at PO to a 25% Working interest	100/14-29-60-22W5
P&NG Licence No. 5406040313	Twp 60 Rge 22 W5M: Section 33 – PNG in Triassic	25%	Crown S/S 2% no deducts GOR to Fountainhead	100/13-33-60-22W5
P&NG Licence No. 5410070696	Twp 60 Rge 23W5M: Sections 25, 26 & 36 – PNG below base Bluesky Bullhead to Basement	50%	Crown S/S 2% no deducts GOR to Fountainhead	None

SCHEDULE "B" TO THE PURCHASE AND SALE AGREEMENT DATED THE 5th DAY OF SEPTEMBER, 2014 BETWEEN BLACKBIRD ENERGY INC. AND PENNANT ENERGY INC., COLLECTIVELY AS VENDOR, AND DELPHI ENERGY CORP. AS PURCHASER.

GENERAL CONVEYANCE

This Conveyance made this ___day of September, 2014.

AMONG:

BLACKBIRD ENERGY INC., a body corporate registered to carry on business in the Province of Alberta

- and –

PENNANT ENERGY INC., a body corporate registered to carry on business in the Province of Alberta

(hereinafter collectively called the "**Vendor**")

- and -

DELPHI ENERGY CORP., a body corporate registered to carry on business in the Province of Alberta

(hereinafter called the "**Purchaser")**

WHEREAS the Vendor has agreed to sell and convey the Vendor's entire right, title, estate and interest in the Assets to the Purchaser and the Purchaser has agreed to purchase and accept all of the Vendor's right, title, estate and interest in and to the Assets;

NOW THEREFORE the Parties covenant and agree as follows:

1. **Definitions**

In this Conveyance, "Sale Agreement" means the Purchase and Sale Agreement dated the 5th Day of September, 2014, between the Vendor and the Purchaser. Terms that are defined in the Sale Agreement have the meanings in this Conveyance that are ascribed to them in the Sale Agreement.

2. **Conveyance**

The Vendor, for the consideration provided for in the Sale Agreement, the receipt and sufficiency of which is acknowledged by the Vendor, hereby sells, assigns, transfers and conveys the Vendor's interest in the Assets to the Purchaser, and the Purchaser purchases and accepts such interest from the Vendor, TO HAVE AND TO HOLD the same absolutely, subject to the terms of the Sale Agreement, the Permitted Encumbrances and the Title and Operating Documents.

3. **Effective Time**

Possession and beneficial ownership of the Assets shall pass from the Vendor to the Purchaser on the Closing Date. For all purposes this General Conveyance shall be effective as of the Effective Time.

4. **Subordinate Document**

This Conveyance is executed and delivered by the Parties pursuant to the Sale Agreement for the purposes of the provisions of the Sale Agreement, and the terms hereof shall be read in conjunction with the terms of the Sale Agreement. The Sale Agreement shall prevail if there is a conflict between the provisions of the Sale Agreement and this Conveyance.

5. **Enurement**

This Conveyance enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

6. **Further Assurances**

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

7. **Time of Essence**

Time shall be of the essence in this General Conveyance.

8. **Governing Law**

This General Conveyance shall be construed in accordance with and governed by the laws of the Province of Alberta.

9. **Counterpart Execution**

This General Conveyance may be executed in counterpart and by facsimile and all such executed counterparts together shall constitute one agreement.

IN WITNESS WHEREOF the Parties have duly executed this Conveyance.

BLACKBIRD ENERGY INC.

Per: ______________________________

Garth Braun – President & CEO

PENNANT ENERGY INC.

Per: ________________________________

DELPHI ENERGY CORP.

Per: ________________________________

SCHEDULE "C" TO THE PURCHASE AND SALE AGREEMENT DATED THE 5th DAY OF SEPTEMBER, 2014 BETWEEN BLACKBIRD ENERGY INC. AND PENNANT ENERGY INC., COLLECTIVELY AS VENDOR, AND DELPHI ENERGY CORP. AS PURCHASER.

FACILITIES

Facility	Location	Facility Interest
Sfc. Facilities 14-29-60-22W5	03-29-60-22W5	62.5%
Sfc. Facilities 15-32-60-22W5	03-29-60-22W5	62.5%
Sfc. Facilities 13-33-60-22W5	04-28-60-22W5	25.0 %

PIPELINES

Pipeline Licence #	From/To
54095 (1)	03-29-60-22W5 to 01-19-60-22W5
54095 (2)	04-28-60-22W5 to 11-20-60-22W5

SCHEDULE "D" TO THE PURCHASE AND SALE AGREEMENT DATED THE 5th DAY OF SEPTEMBER, 2014 BETWEEN BLACKBIRD ENERGY INC. AND PENNANT ENERGY INC., COLLECTIVELY AS VENDOR, AND DELPHI ENERGY CORP. AS PURCHASER.

PRODUCTION TRANSPORTATION, PROCESSING AND MARKETING AGREEMENTS

MARKETING

PROCESSING AGREEMENTS

Delphi Blackbird Gas Handling Agreement dated April 1, 2012.
Re: Gas Handling Charges for Producer Inlet substances

SCHEDULE "E" TO THE PURCHASE AND SALE AGREEMENT DATED THE 5th DAY OF SEPTEMBER, 2014 BETWEEN BLACKBIRD ENERGY INC. AND PENNANT ENERGY INC., COLLECTIVELY AS VENDOR, AND DELPHI ENERGY CORP. AS PURCHASER.

OUTSTANDING AUTHORITIES FOR EXPENDITURE

N/A