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(Redacted Version)

PURCHASE AND SALE AGREEMENT

BETWEEN

TOURMALINE OIL CORP.

AND

SHELL CANADA ENERGY

DATED OCTOBER 20, 2016

GUNDY ASSETS, BRITISH COLUMBIA

AND

DEEP BASIN EAST ASSETS, ALBERTA

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is dated the 20th day of October, 2016,

BETWEEN:

TOURMALINE OIL CORP., an Alberta corporation having an office in Calgary, Alberta,

(the "**Purchaser**")

- and -

SHELL CANADA ENERGY, an Alberta partnership having an office in Calgary, Alberta,

(the "**Vendor**")

WHEREAS Vendor wishes to sell the Assets to Purchaser, and Purchaser wishes to purchase the Assets from Vendor, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual promises made in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged by each of the Parties and subject to the conditions hereinafter set forth, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 <u>Definitions</u>

In this Agreement, the following capitalized words and phrases shall have the following meanings:

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

(i) abandon the Wells;

(ii) close, decommission, dismantle and remove the Tangibles;

(iii) close, decommission, dismantle and remove all structures, foundations, buildings, pipelines, equipment and other facilities located on the Lands or lands pooled or unitized therewith or used in connection with or held for use in connection with the Petroleum and Natural Gas Rights or in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

(iv) restore, remediate and reclaim the surface and subsurface of the lands on which wells (including the Wells), Tangibles, structures, foundations, buildings, pipelines, equipment and other matters and items described in Paragraphs (i), (ii) and (iii) of this definition are or were located or which are or were used to gain access thereto, including such obligations relating to wells (including the Wells), Tangibles, pipelines and facilities which were abandoned or decommissioned prior to or after the Effective Time that were, are or will be located on the Lands or lands pooled or unitized therewith,

all in accordance with generally accepted oil and gas industry practices and in compliance with Applicable Law;

(b) **[REDACTED –Definition re: certain commercial matters]**;

(c) "**AER**" means the Alberta Energy Regulator established under the *Responsible Energy Development Act* (Alberta), or its successor established under any amending or successor Applicable Law;

(d) "**Affiliate**" of any Person means any other Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such Person;

(e) "**Agreement**" means this purchase and sale agreement;

(f) "**Anti-Bribery Laws and Obligations**" means: (i) the laws relating to combating bribery and corruption in the countries of each of the Parties' or their managing partner's place of incorporation or formation, principal place of business, and/or place of registration as an issuer of securities, and/or in the countries of each of the Parties' ultimate parent Person's place of incorporation or formation, principal place of business, and/or place of registration as an issuer of securities; (ii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries; (iii) the UK Anti-Bribery Act 2010; (iv) the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); (v) the *Corruption of Foreign Public Officials Act* (Canada); and (vi) sections 119 to 123 and section 426 of the *Criminal Code of Canada*;

(g) "**Applicable Law**" means, with respect to any Person, property, transaction, event or other matter, any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, judgment, order of court of court of competent jurisdiction, rule, municipal by-law, order or other requirement having the force of law, in each case relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation, as well as the orders and directives issued by Government Authorities and the terms and conditions of all permits, licenses, approvals and authorizations which are applicable to such Person, property, transaction, event or other matter;

(h) "**Applicable Securities Laws**" means all applicable corporate and securities laws in each of the provinces and territories of Canada and the respective rules, regulations, instruments, blanket orders and blanket rulings under such laws, together with applicable published policies, policy statements and notices of the Securities Regulatory Authorities;

(i) "**ARC**" means an advance ruling certificate issued pursuant to section 102(1) of the *Competition Act*;

(j) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests;

(k) "**Assumed Agreements**" means the Vendor or its Affiliate's interest in the contractual agreements described in Schedule "D";

(l) "**Base Purchase Price**" means the sum of money set forth in Section 2.2(a);

(m) "**BCOGC**" means the British Columbia Oil and Gas Commission, or its successor established under Applicable Law;

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

(o) "**Cash Consideration**" has the meaning ascribed thereto in Section 2.5(a);

(p) "**Closing**" means the transfer of possession, ownership and risks of the Assets from Vendor to Purchaser and the exchange of conveyance documents, payment of the Purchase Price and all other items and consideration required to be delivered at the Closing Time pursuant hereto;

(q) "**Closing Date**" means the date on which Closing occurs;

(r) "**Closing Time**" means the hour of 10:00 a.m. (Calgary time) on the later of:

  (i) November 30, 2016;

  (ii) the third Business Day after satisfaction of the Regulatory Approvals Condition; and

  (iii) such other date or time as may be agreed upon in writing by the Parties,

provided that, unless the Vendor otherwise agrees in writing, the Closing Time may not be later than the Outside Time;

(s) "**Commissioner**" means the Commissioner of Competition appointed under the *Competition Act* or any person authorized to exercise the powers and perform the duties of the Commissioner of Competition;

(t) "***Competition Act***" means the *Competition Act*, R.S.C., 1985, c. C-34, as amended and all regulations thereunder;

(u) "***Competition Act* Approval**" means that with respect to the *Competition Act*, prior to the Closing Time:

  (i) the Parties (or Purchaser, but with a copy received by Vendor) shall have received an ARC with respect to the Transaction; or

(ii) the Parties (or Purchaser, but with a copy received by Vendor) shall have received advice in writing by the Commissioner that the Commissioner does not, at that time, intend to make an application under section 92 of the *Competition Act* in respect of the Transaction, and such advice has not been amended or rescinded and either (a) the applicable waiting period under subsection 123(1) of the *Competition Act* shall have expired or shall have been waived under subsection 123(2) of the *Competition Act*, or (b) the obligation to submit a notification under Part IX of the *Competition Act* shall have been waived pursuant to paragraph 113(c) of the *Competition Act*;

(v) "**Confidentiality Agreements**" means the confidentiality agreements dated effective September 1, 2016 and September 15, 2016, between the Parties (including any amendments or restatements thereto) in respect of the Assets;

(w) "**Consideration Shares**" has the meaning ascribed thereto in Section 2.5(b);

(x) "**Control**" means one or more of the following:

(i) a body corporate is controlled by a Person if: (A) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned, directly or indirectly, by such Person; and (B) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;

(ii) an association, partnership, limited liability company, trust or other organization is controlled by a Person if: (A) more than 50% of the ownership interests, however designated, into which the association, partnership, limited liability company, trust or other organization is divided are beneficially owned, directly or indirectly, by such Person; and (B) the Person is able to direct the business and affairs of the association, partnership, limited liability company, trust or other organization;

(iii) a body corporate, association, partnership, limited liability company, trust or other organization is controlled by a Person if such Person has, directly or indirectly, control in fact of the body corporate, association, partnership, limited liability company, trust or other organization; or

(iv) a body corporate, association, partnership, limited liability company, trust or other organization that controls (within the meaning of this definition) another body corporate, association, partnership, limited liability company, trust or other organization is deemed to control (within the meaning of this definition) any body corporate, association, partnership, limited liability company, trust or other organization that is controlled or deemed to be controlled (within the meaning of this definition) by the other body corporate, association, partnership, limited liability company, trust or other organization;

(y) "**Deposit**" has the meaning provided in Section 2.8(a);

(z) "**Disclosure Materials**" means the documents, files, data and information which were reviewed, or were available to be reviewed, by Purchaser or its Representatives in the Virtual Data Room;

(aa) "**Effective Time**" means the first instant of November 1, 2016;

(bb) "**Environmental Adjustment**" has the meaning provided in Section 3.3(b)(ii)2;

(cc) "**Environmental Defect**" means a condition in, on or under, or any one incident on an Asset that is attributable to the period of time after January 1, 2008 and before the Effective Time, that has not been disclosed to Purchaser prior to the date of this Agreement (such disclosure, for greater certainty, including the Disclosure Materials) and that gives rise to an Environmental Liability where the Estimated Environmental Cost for any <u>one</u> such Environmental Defect exceeds **[REDACTED – Dollar Amount]** but shall <u>not</u> include: (i) any Abandonment and Reclamation Obligations or remediation obligations to the extent normally associated with similar tangible assets which have been operated in accordance with good oilfield practice; (ii) any title defects, or (iii) any deficiency in the Pipeline Records;

(dd) "**Environmental Liabilities**" means any and all environmental damage, contamination, or other environmental problems pertaining to or caused by the Assets, operations thereon or related thereto or operations conducted in conjunction therewith, however and by whomsoever caused, and whether caused by a breach of Applicable Law or otherwise, which occur or arise in whole or in part prior to, at or subsequent to the Closing Time, and regardless of whether or not a reclamation certificate has been issued. Without limiting the generality of the foregoing, such environmental damage or contamination or other environmental problems shall include those arising from or related to:

(i) surface, underground, air, ground water, surface water or marine environment contamination;

(ii) Abandonment and Reclamation Obligations;

(iii) the restoration, cleanup or reclamation of or failure to restore, cleanup or reclaim any part of the Assets, including any matter or thing occurring or arising which relates to the operation, control, abandonment or reclamation of the Reclamation Wells;

(iv) the breach of Applicable Law in effect at any time;

(v) the removal or failure to remove foundations, structures or equipment;

(vi) the release, spill, escape or emissions of toxic, hazardous or oilfield waste substances; and

(vii) damages and losses suffered by Third Parties as a result of any of the occurrences in items (i) through (vi) of this definition;

(ee) "**Estimated Environmental Cost**" means a *bona fide* estimate of the net present value of the Vendor's working interest share of the cost to remedy any one Environmental Defect;

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

(i) Petroleum Substances that were produced and sold as of and after the Effective Time, provided that the proceeds of sale of any such Petroleum Substances shall be subject to apportionment pursuant to Article 8;

(ii) any of Vendor's interest in and to the Leases or Title and Operating Documents to the extent not applicable to the Lands;

(iii) seismic, trade data, studies or technology that are, in whole or in part, owned by or licenced from Third Parties;

(iv) Vendor's proprietary technology, engineering or reserves reports, forecasts and analyses, interpretations or economic evaluations relating to the Assets, including any reports, estimates, evaluations, projections, models or other documentation prepared for Vendor by any Third Party in relation to the Assets or the Transaction;

(v) computer software, computer networks and other technology systems, other than that which is used exclusively with SCADA or other field management systems or measurement facilities including wellhead data systems, included in the Tangibles;

(vi) tax and financial records of Vendor, other than Crown royalty statements in respect of the Leases or any other records necessary to confirm the payment by Vendor of lessor royalties pursuant to any Leases;

(vii) legal opinions and all other documents prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor client privilege or constitute competitively sensitive information;

(viii) records, policies and manuals of Vendor, or portions thereof, not pertaining exclusively to the Assets, not material to the operation thereof or not required to be maintained by Vendor under Applicable Law;

(ix) all motor vehicles;

(x) any deposits or other security related to permits or any operations pertaining to the Assets;

(xi) any insurance policies or insurance coverage, including all insurance policies and insurance coverage arranged for the benefit of, provided to or provided by Vendor or any of its Affiliates, and any claims against, premiums or any other right, title or interest related thereto;

(xii) any surety bonds or other bonds in place for the benefit of Vendor or any of its Affiliates, and any claims against or any other right, title or interest related thereto;

(xiii) for greater certainty, the Vendor's and its Affiliates' field offices and storage facilities in Edson, Alberta, and all related assets, properties, tangible items and other property or rights contained therein, or appurtenant or related thereto; and

(xiv) any agreements, contracts or other documentation, including but not limited to impact benefit agreements, consultation capacity building agreements or social investment agreements, relating to Vendor's relationship to, or potential impact on, aboriginal peoples in connection with the Assets or in the general geographic region of the Assets;

(gg) "**Facilities**" means the interest of Vendor, in and to the field facilities and other tangible property described in Schedule "B" and the Unit Interest in and to all tangible depreciable property and assets owned and operated by the Unit, if any;

(hh) "**General Conveyance**" means the conveyance agreement, to be executed at Closing, conveying the Assets from Vendor to Purchaser, in the form attached as Schedule "F";

(ii) "**Governmental Authority**" means any federal, provincial, territorial, or municipal government or government department agency, regulator, board or authority (including a court of law);

(jj) "**GST**" means the goods and services tax administered pursuant to GST Legislation;

(kk) "**GST Legislation**" means the *Excise Tax Act* (Canada);

(ll) "**Interest Amount**" means an amount equal to simple interest at the Prime Rate, calculated daily and not compounded, on the Base Purchase Price less the Deposit from the date of this Agreement to and including the day prior to the Closing Time, which amount will increase the Purchase Price as described in Section 2.2(d) and will be allocated, for tax purposes, solely to the Petroleum and Natural Gas Rights;

(mm) "**Interim Period**" means the period from the date of execution of this Agreement to the Closing Time;

(nn) "***Investment Canada Act***" means, the *Investment Canada Act (Canada)*, R.S.C., 1985, c. 28, as amended and all regulations thereunder;

(oo) "**Lands**" means the lands described in Schedule "A" (insofar as rights thereto are granted by the Leases);

(pp) "**Leases**" means all leases, licences, permits and similar documents of title set forth and described in Schedule "A", by virtue of which Vendor is entitled to drill for, win, take, own or remove the Petroleum Substances within, upon or under the Lands or lands with which the Lands are pooled or unitized, or by virtue of which the holder thereof is deemed to be entitled to a share of Petroleum Substances removed from the Lands or lands with which the Lands are pooled and unitized, and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefor but only insofar as the same relate to the Lands;

(qq) "**Liability Management Rating**" means

(i) in respect of the Assets located in Alberta, the liability management rating as assessed by the AER under the Liability Management Program, Directives 006, 024 and 075 and any other related Applicable Law, as well as any other measure used by the AER to assist in determining required security deposits for licence and asset transfers; and

(ii) in respect of the Assets located in British Columbia, the liability management rating as assessed by the BCOGC under Applicable Law, and any other measure used by the BCOGC to assist in determining required security deposits for permit holders under Section 30 of the *Oil and Gas Activities Act* (British Columbia);

(rr) "**Losses**" means all actions, causes of action, losses, costs, claims, damages, penalties, fines, assessments, charges, expenses or other liabilities whatsoever, whether contractual, tortious, statutory or otherwise that are brought against or that are otherwise suffered, sustained, paid or incurred by a Party, its Affiliates, and their respective directors, officers and employees respecting any person (including that Party) and includes reasonable legal fees on a solicitor and client basis and other professional fees and disbursements on a full indemnity basis, as well as amounts paid or payable by a Party to another Person;

(ss) "**Material Title Defect**" means any title defect relating to any of the Assets, that is attributable to matters arising within the period of time after January 1, 2008 but before the Effective Date, that has not been disclosed to Purchaser prior to the date of this Agreement (such disclosure, for greater certainty, including the Disclosure Materials), and is identified by the Purchaser prior to Closing which would not be acceptable to a prudent transferee or purchaser, acting reasonably, of the Assets affected thereby, and in the Purchaser's opinion, acting reasonably and in good faith, the value by which the Assets affected by such title defect has been reduced by such title defect, taking into account the likelihood such title defect will manifest itself, and the Purchaser's reasonable requirements for remedying such title defect, exceeds **[REDACTED – Dollar Amount]** but shall <u>not</u> include:

(i) any deficiency in the Pipeline Records;

(i) the expiry of Leases between the Effective Time and the Closing Time by the passage of time;

(ii) all Permitted Encumbrances;

(iii) all matters pertaining to the interest of a Third Party that do not pertain to the interest of Vendor in the Assets;

(iv) all Environmental Defects;

(v) failure to obtain consent of a Third Party prior to Closing for any Asset requiring prior written consent to assign the Asset or an interest therein;

(vi) missing documents or receipts which would otherwise demonstrate timely and full payment of initial consideration, lease rentals, delay payments, shut-in payments or other payments required under any Lease where the lessor of the applicable Lease has accepted subsequent payments and there is no notice of default in respect thereof from the lessor in the applicable Lease file;

(vii) cessation of production of any Well where there is no notice of default in respect thereof from the lessor of the applicable Lease in the applicable Lease file;

(viii) missing or unsigned documents in the chain of Vendor's title to any particular Asset where such documents are not reasonably required to confirm the creation, establishment or maintenance of such title and the current status of title can otherwise be confirmed with reasonable certainty; and

(ix) any limitation of, derogation from, or restriction on rights or interests granted under the Title and Operating Documents that is imposed by Applicable Law;

(tt) "**Miscellaneous Interests**" means, subject to any and all limitations and exclusions provided for in this definition, the interest of Vendor in and to all property, assets, interests and rights pertaining to the Petroleum and Natural Gas Rights, the Wells and the Tangibles to which Vendor is entitled at Closing, and includes:

(i) the entire interest of Vendor in all contracts and agreements to the extent that they relate to the Petroleum and Natural Gas Rights, the Wells or the Tangibles, including the Title and Operating Documents, but, other than the Assumed Agreements, excluding any production sales contracts relating to the Petroleum Substances;

(ii) subject to Section 6.1(b), all subsisting leasehold rights to, and rights to enter upon, use or occupy the surface of any lands which are or may be used to gain access to or use or operate the Petroleum and Natural Gas Rights, the Wells or the Tangibles;

(iii) all records, files, books, documents, licences, permits, approvals, authorizations or drawings (whether in electronic format or otherwise, including all 'as-built' drawings, and including a list of drawings), which relate to the Petroleum and Natural Gas Rights, the Wells or the Tangibles, excluding any such things that are subject to confidentiality restrictions or restrictions on transferability;

(iv) royalty statements in respect of the Leases and all records necessary to confirm the payment by Vendor of all lessor royalties pursuant to the Leases;

(v) computer software, computer networks and other technology systems that are contained in the Tangibles and are used exclusively with SCADA and other field management systems or measurement facilities, including wellhead data systems, which are included in the Tangibles;

(vi) the Proprietary Seismic Data;

(vii) the interest of the Vendor in the Assumed Agreements; and

(viii) the interest of Vendor in and to the Wells, including the wellbores and any and all casing thereof,

but specifically excludes the Excluded Assets;

(uu) "**Misrepresentation**" has the meaning ascribed to it under Applicable Securities Laws;

(vv) **[REDACTED –Definition re: certain commercial matters]**;

(ww) "**Opinion of Purchaser's Counsel**" means a signed legal opinion, dated as of the Closing Date, from Burnet Duckworth & Palmer LLP, as legal counsel to Purchasers, in relation to certain corporate and securities law matters, in substantially the form attached as Schedule "J" hereto*;*

(xx) "**Outside Time**" means 5:00 pm (Calgary time) on December 30, 2016, or such other date the Parties may agree upon in writing;

(yy) "**Party**" means a party to this Agreement;

(zz) "**Permitted Encumbrances**" means, with respect to the Assets:

(i) easements, rights of way, servitudes and other similar rights in land (including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, towers, wires and cables) which do not materially impair the use of the Assets affected thereby;

(ii) the rights reserved to or vested in any Governmental Authority by the terms of any leases (including any Lease), licence, franchise, grant or permit or by any statutory provision, to terminate any such leases, licence, franchise, grant, permit or authorization or to require annual or other periodic payments as a condition of the continuance thereof;

(iii) rights of general application reserved to or vested in any Governmental Authority to levy taxes on Petroleum Substances produced from any of the Lands or the revenue therefrom;

(iv) legally binding requirements imposed under Applicable Law concerning the manner or timing of operations relating to the Assets, including those respecting rates of production of Petroleum Substances and any order or directive of any Governmental Authority, whether before or after the Effective Time, to limit or shut-in production from the Assets;

(v) the terms and conditions of the Title and Operating Documents and the Assumed Agreements, including any penalty, forfeiture or the Purchaser’s election not to participate in particular operations, provided that the following items must be set out in Schedule "A" in order to constitute a Permitted Encumbrance:

(A) all royalty burdens, net profits interests, or similar encumbrances;

(B) any penalty or forfeiture that applies to the Assets as of the Effective Time because of Vendor’s election to not participate in a particular operation; and

(C) any existing potential reduction in interest in the Assets because of a payout conversion or farmin, farmout or other such agreement;

(vi) to the extent they are set out in Schedule "A", any overriding royalties, net profits interests or other encumbrances applicable to the Petroleum and Natural Gas Rights, for which Purchaser will assume the obligation for payment;

(vii) liens or security incurred, created or granted in the ordinary course of business or imposed by Applicable Law, to a public utility or Governmental Authority in connection with the Assets or operations thereon for the payment of taxes, assessments and governmental charges which are not due at Closing, or the validity of which is being diligently contested in good faith by or on behalf of Vendor, provided Vendor has disclosed in writing to Purchaser, prior to the date hereof, all such liens or security which are being diligently contested in good faith;

(viii) liens (including processors', operators' and similar liens) incurred or created in the ordinary course of business as security in favour of the person conducting the development or operation of the Assets for Vendor's proportionate share of the costs and expenses of such development or operation which are not due at Closing, or the validity of which is being diligently contested in good faith by or on behalf of Vendor;

(ix) any Security Interest held by any Third Party encumbering Vendor's interest in and to the Assets, or any part or portion thereof, in respect of which Vendor delivers a registerable discharge or a 'no interest' letter to Purchaser at or prior to Closing;

(x) mechanics', builders' and materialmen's liens in respect of services rendered or goods supplied, but only insofar as such liens relate to goods or services for which payment is not due at Closing, or the validity of which is being diligently contested in good faith by or on behalf of Vendor, provided Vendor has disclosed in writing to Purchaser, prior to the date hereof, all such liens which are being diligently contested in good faith;

(xi) statutory exceptions to title, and the reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Assets or interests therein;

(xii) any security in respect of or encumbering only a Third Party's interest in and to the Assets or properties it relates to;

(xiii) any unsatisfied claims, proceedings, actions, injunctions or lawsuits in existence or threatened for which Vendor is not a named party or, to the knowledge of Vendor, anticipated to be a named party; and

(xiv) all other liens, adverse claims, trusts, silent partner obligations and other claims or interests of Third Parties set out in Schedule "A";

(aaa) "**Person**" means and includes an individual, sole proprietorship, limited or general partnership, limited or unlimited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited or limited liability corporation, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status;

(bbb) "**Personal Information**" means any information about an identifiable individual, other than such individual’s business contact information where such business contact information is collected, used or disclosed for the purposes of contacting such individual in that individual’s capacity as an employee or an official of an organization and for no other purpose;

(ccc) "**Petroleum and Natural Gas Rights**" means the undivided interest of Vendor in and to the Leases to the extent applicable to the Lands, or any lands with which the Lands have been pooled or unitized, described in Schedule "A", but specifically excludes the Excluded Assets;

(ddd) "**Petroleum Substances**" means bitumen, crude oils, natural gas, synthetic crude, diluents and other petroleum substances at atmospheric pressure, and all other substances that may be produced in association therewith (including sulphur and its components), natural gas liquids, natural gas to the extent any of the foregoing are located within or comprise all or part of the Petroleum and Natural Gas Rights or are produced therefrom;

(eee) "**Pipeline Records**" means, to the extent they relate to the pipelines located in Alberta and comprising part of the Assets in respect of which Vendor is the license holder and will be transferring such license to Purchaser in conjunction with Closing, those files, records, reports, assessments and documents of the types set forth and described in Schedule "K";

(fff) "**Prime Rate**" means the daily rate of interest expressed as a per annum rate announced from time to time by the main branch of the Royal Bank of Canada in

Calgary, Alberta as a reference rate for the determination of interest rates on Canadian dollar commercial loans to customers in Canada which are in effect during the interest calculation period set forth in this Agreement;

(ggg) "**Privacy Law**" means Applicable Law relating to privacy and the collection, use and disclosure of Personal Information including the *Personal Information Protection and Electronic Documents Act* (Canada) and any comparable law or regulation of any province or territory of Canada;

(hhh) "**Proprietary Seismic Data**" means Vendor's wholly owned proprietary seismic data described in Schedule "I";

(iii) **[REDACTED –Definition re: certain commercial matters]**;

(jjj) "**PST**" means the goods and services tax administered pursuant to PST Legislation;

(kkk) "**PST Legislation**" means the *Provincial Sales Tax Act* (British Columbia);

(lll) "**Public Official**" means any person acting in an official capacity for or on behalf of any government, ministry, Governmental Authority, department, agency, instrumentality or part of any of them, or any public international organization, or any political party or political party official or candidate for office;

(mmm) "**Public Record**" means all information, filed by or on behalf of the Purchaser with the Securities Regulatory Authorities in compliance, or intended compliance, with Applicable Securities Laws, and any other information filed with any Securities Regulatory Authorities on or prior to Closing in compliance, or intended compliance, with Applicable Securities Laws;

(nnn) "**Purchase Price**" means the total consideration payable by Purchaser to Vendor, resulting from the calculation set forth in Section 2.2;

(ooo) "**Purchaser's Closing Certificate**" means a certificate from Purchaser in the form attached as Schedule "H";

(ppp) "**Reclamation Wells**" means Vendor's beneficial interest in and to any reclamation-certified, reclamation-exempt wells and other non-transferrable tangible assets that form part of the Assets;

(qqq) "**Regulatory Approvals**" means, to the extent required to be obtained under Applicable Law, collectively, the *Competition Act* Approval and the TSX Approval;

(rrr) "**Regulatory Approvals Condition**" means obtaining the Regulatory Approvals;

(sss) "**Representatives**" means, with respect to any Party, its Affiliates and the directors, officers, servants, agents, employees and consultants of such Party and its Affiliates;

(ttt) "**Rights of First Refusal**" means a right of first refusal, pre-emptive right of purchase or similar restriction on disposition whereby any Third Party has the right to acquire or purchase any of the Assets as a consequence of the Transaction;

(uuu) "**Sales Taxes**" means any taxes, fees or charges imposed by provincial or federal Applicable Law on the recipient of goods or services supplied in connection with the Transaction including, but not limited to, any harmonized sales tax, PST and GST;

(vvv) "**Securities Regulatory Authority**" means the securities commissions or similar securities regulatory authorities of each of the provinces of Canada;

(www) "**Security Interests**" means security interests in the Assets or any portion thereof granted by Vendor, its Affiliates or predecessors in title to any Third Party, whether by way of mortgage, deed of trust, assignment under the *Bank Act* (Canada), debenture, general security agreement or land charge under personal property security legislation or otherwise, including any amendments thereto;

(xxx) "**SEDAR**" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;

(yyy) "**Seismic Licence Agreement**" means a licence to use the Proprietary Seismic Data, substantially in the form attached as Schedule “L”;

(zzz) "**Senior Supervisory Personnel**" means, with respect to a Party, any director or officer of such Party, and any individual who functions for such Party or one of its Affiliates at a management level equivalent or superior to any individual functioning as such Party’s senior manager(s) who has authority over such Party’s operations and activities in Canada sufficient to direct the manner in which such operations and activities are conducted, but excluding all individuals functioning at a level below such functional manager;

(aaaa) "**Shares**" means common shares of the Purchaser;

(bbbb) "**Specific Conveyances**" means all conveyances, assignments, registerable transfers, novations, bills of sale, and other documents or instruments, other than the General Conveyance, that are reasonably required or desirable to convey, assign and transfer the interests and obligations of Vendor in respect of the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets and all of Vendor's interests and obligations relating thereto;

(cccc) "**Take or Pay Obligations**" means obligations to sell or deliver production from the Lands to particular Tangibles or any third party owned facilities, which include a requirement for Vendor to pay a fee for the use of such Tangibles or other facilities that exceeds their actual use by the Vendor;

(dddd) "**Tangibles**" means the interest of Vendor in and to:

(i) the Facilities; and

(ii) to the extent they pertain to the Petroleum and Natural Gas Rights or the Facilities, all other tangible depreciable property and assets, located in, on or about the Lands or Facilities or appurtenant thereto and which are used or were used or are intended to be used by, or on behalf of, Vendor in connection with production, gathering, processing, measuring, making marketable, injection, removal, transmission, treatment or storage of Petroleum Substances produced from the Lands or operations on the Lands or Facilities or which are appurtenant to or used in connection with the Wells, the Facilities or with water or miscible fluids injection or removal operations that pertain to the Petroleum and Natural Gas Rights, including all surplus equipment, materials and inventory located on the Lands which was acquired for or on behalf of Vendor for use on or in conjunction with the Assets, production equipment, fresh and produced water facilities, flowlines, pipeline connections, meters, dehydrators, motors, compressors, treaters, scrubbers, separators, pumps, tanks, boilers and communication equipment, and also including SCADA and other field management systems or measurement facilities, including wellhead data systems,

but specifically excludes the Excluded Assets;

(eeee) "**Third Party**" means any Person (other than the Parties and their respective Representatives);

(ffff) "**Thirteenth Month Adjustment**" means the accounting procedure performed annually by any operator of certain of the Assets for the purpose of redistributing operating expenses, processing fee revenues, royalties and gas cost allowances and other costs, expenses or revenues among the owners or users of those Assets;

(gggg) "**this Agreement**", "**herein**", "**hereto**", "**hereof**" and similar expressions mean and refer to this Purchase and Sale Agreement together with all Schedules, in its entirety;

(hhhh) "**Title Adjustment**" has the meaning provided in Section 3.2(b)(ii)2;

(iiii) "**Title and Operating Documents**" mean contracts, agreements and instruments by virtue of which the Petroleum and Natural Gas Rights, the Wells or the Tangibles are held or were acquired by Vendor or which relate to the ownership or operation thereof, including:

(i) the Leases;

(ii) agreements whereby Vendor derives any interest in, or effecting Vendor's interests and obligations in, the Petroleum and Natural Gas Rights, the Wells or the Tangibles, including operating agreements, royalty agreements, farmout and farmin agreements, option agreements, participation agreements, unitization agreements, pooling agreements and trust agreements (where Vendor is trustee or beneficiary);

(iii) agreements for the construction, ownership and operation of the Tangibles; and

(iv) any approvals, authorizations or licences required under Applicable Law for the conduct of operations with respect to the Assets;

(jjjj) "**Title Defect Value**" has the meaning provided in Section 3.2(a);

(kkkk) "**Transaction**" means the entering into of this Agreement, as well as the sale of the Assets by Vendor to Purchaser and all other related matters contemplated by this Agreement;

(llll) "**Transaction Personal Information**" means any Personal Information, including Personal Information about Vendor's employees, suppliers, customers, directors, officers or shareholders that is:

(i) disclosed to Purchaser or any Representative of Purchaser prior to the Closing Time by Vendor or its Representatives or otherwise; or

(ii) collected by Purchaser or any Representative of Purchaser prior to the Closing Time from Vendor or its Representatives or otherwise,

in either case in connection with the Transaction; and

(iii) in the possession, custody or control of Vendor at the Closing Time;

(mmmm) **[REDACTED –Definition re: certain commercial matters];**

(nnnn) "**TSX**" means the Toronto Stock Exchange;

(oooo) "**TSX Approval**" means conditional approval of the TSX to list the Consideration Shares subject only to customary conditions;

(pppp) "**Uncured Environmental Defects**" has the meaning provided in Section 3.3(b);

(qqqq) "**Uncured Title Defects**" has the meaning provided in Section 3.2(b);

(rrrr) "**Unit**" means the scheme of unitization for the production of Petroleum Substances, the unit area established thereunder and all property subject to such scheme created pursuant to the unit agreements and unit operating agreements, including any and all amendments thereto, if any, as described in Schedule "A";

(ssss) "**Unit Interest**" means the right, title, estate and interest in Vendor to the Unit, if any, as described in Schedule "A";

(tttt) "**U.S. Securities Act**" the United States Securities Act of 1934, as amended;

(uuuu) "**Vendor's Closing Certificate**" means a certificate from Vendor in the form attached as Schedule "G";

(vvvv) "**Virtual Data Room**" means (i) Vendor's virtual dataroom administered by Merrill Datasite in respect of the Assets and in anticipation of the transactions contemplated herein, as at three (3) Business Days prior to the date hereof; and (ii) documents and other information delivered to Purchaser by Vendor in electronic format, both (i) and (ii) of this definition as evidenced by the memory stick, electronic portable hard drive or other portable digital media delivered by Vendor to Purchaser concurrently with the execution hereof; and

(wwww) "**Wells**" means all of the Vendor's interest in the wells identified in Schedule "C", and all other wells which are located on the Lands or lands pooled or unitized therewith or which are, may be or were used in connection with the Petroleum and Natural Gas Rights, including the Reclamation Wells and any producing, shut-in, suspended, abandoned, water source, injection and disposal wells.

1.2 Schedules and Exhibits

The following schedules are attached to, form part of, and are incorporated herein by reference as though contained in the body of this Agreement:

Schedule "A" –	Lands and Leases
Schedule "B" –	Facilities
Schedule "C" –	Wells
Schedule "D" –	Assumed Agreements
Schedule "E" –	Adjustment Calculation
Schedule "F" –	Form of General Conveyance
Schedule "G" –	Vendor's Closing Certificate
Schedule "H" –	Purchaser's Closing Certificate
Schedule "I" –	Proprietary Seismic Data
Schedule "J" –	Form of Opinion of Purchaser's Counsel
Schedule "K" –	Pipeline Records
Schedule "L" –	Form of Seismic Licence Agreement
Schedule "M" –	Financial Commitments
Schedule "N" –	Sales Tax Matters
Schedule "O" –	**[REDACTED – certain commercial matters]**
Schedule "P" –	**[REDACTED – certain commercial matters]**

1.3 Headings

The division of this Agreement into Articles, Sections, Subsections, and Paragraphs and the provision of headings are for convenience and reference only and shall not affect the meaning, interpretation or construction of this Agreement.

1.4 Article, Section and Schedule References

When the context reasonably permits, references to 'Articles', 'Sections', 'Subsections', 'Paragraphs' or 'Schedules' mean and refer to specified articles, sections, subsections, paragraphs and schedules of, or to, this Agreement.

1.5 Extended Meanings and Derivatives

When the context reasonably permits:

(a) words suggesting the singular shall be construed as suggesting the plural and *vice versa* and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders;

(b) the word "**including**" means 'including without limitation' and "**includes**" means 'includes without limitation'; and

(c) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning.

1.6 <u>Statutory References</u>

Any reference herein to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto and all amendments made to such statute or any such regulations in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto.

1.7 <u>Invalidity of Provisions</u>

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

1.8 <u>References in Agreement</u>

Unless otherwise explicitly specified herein, any reference to time refers to the time in Calgary, Alberta, and any reference to "**dollars**", "**C$**" or "**$**" refers to lawful currency of Canada.

1.9 <u>Knowledge or Awareness</u>

In this Agreement, the knowledge, information, belief or awareness of a Party consists only of the actual knowledge or awareness, as the case may be, of the Senior Supervisory Personnel of such Party who have responsibilities relating directly to the Assets, and does not include knowledge, information belief or awareness of any other Person or any constructive or imputed knowledge. A Party does not have any obligation to make inquiry of Third Parties or the files and records of any Third Party or Governmental Authorities in connection with representations and warranties that are made to its knowledge, information, belief or awareness.

1.10 <u>Construction</u>

This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not apply to the construction or interpretation of this Agreement.

1.11 Conflicts

Whenever any term or condition, whether express or implied, of any Schedule conflicts with or is at variance with any term or condition of the body of this Agreement, the latter shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Lease or Applicable Law, the term or condition of such Lease or Applicable Law will prevail, and this Agreement will be deemed to be amended to the extent required to eliminate any such conflict.

1.12 Interpretation If Closing Does Not Occur

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

ARTICLE 2
PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Subject to the terms and conditions of this Agreement, at Closing:

(a) Purchaser agrees to pay the Purchase Price and to acquire and purchase from Vendor; and

(b) upon receipt of the Purchase Price, Vendor agrees to sell, assign, set over, convey and transfer to Purchaser,

all the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to the Permitted Encumbrances.

2.2 Purchase Price

The Purchase Price for the Assets is the amount resulting from the following calculation:

(a) C$1,368,800,000 (the "**Base Purchase Price**");

(b) plus or minus adjustments, if any, resulting from the operation of Article 8; provided however that any apportionment made thereunder that is not contained in the interim or final accounting referenced in Article 8 shall not adjust the Purchase Price;

(c) minus the amounts of the Title Adjustment and the Environmental Adjustment, if any;

(d) plus the Interest Amount,

which sum, using the interim accounting referenced in Article 8, less the Deposit (applied without interest), shall be paid in accordance with Section 2.5 at the Closing Time to Vendor.

2.3 Closing

Unless otherwise agreed upon in writing by the Parties, if there has been satisfaction or waiver of the conditions of Closing contained in this Agreement, Closing shall take place at the offices of Vendor at:

400 – 4th Avenue S.W.
Calgary, Alberta.

2.4 Closing Deliveries

At Closing:

(a) Vendor shall deliver to Purchaser the Vendor's Closing Certificate and other documents required by Section 9.2;

(b) Purchaser shall deliver to Vendor the Purchaser's Closing Certificate and other documents required by Section 9.1;

(c) Purchaser shall cause its counsel to deliver to Vendor, an opinion, dated as of the Closing Date, in substantially the form of the Opinion of Purchaser's Counsel*;*

(d) Purchaser shall deliver to Vendor the letter of the TSX evidencing TSX Approval;

(e) the Parties shall execute and deliver the General Conveyance;

(f) the Parties shall execute and deliver those Specific Conveyances available at Closing;

(g) the Parties shall execute and deliver the Seismic Licence Agreement;

(h) Purchaser shall pay the Cash Consideration to Vendor;

(i) either:

   (i) Purchaser shall deliver to Vendor a share certificate representing the Consideration Shares registered in the name of Vendor or in such name as Vendor shall notify Purchaser in writing not less than two Business Days prior to the Closing Date; or

   (ii) if Vendor wishes to have Purchaser issue the Consideration Shares electronically under a direct registration system or other book-entry system or other form of written notice (collectively, an "**electronic deposit**"), then, as an alternative to Purchaser delivering to Vendor a certificate representing the Consideration Shares in the manner and at the times set forth in paragraph (i) above: (A) Vendor will provide, or will cause to be provided, a direction to Purchaser indicating it wishes to proceed with an electronic deposit of the Consideration Shares, in writing in sufficient time prior to the Closing Date to permit such electronic deposit; and (ii) Purchaser shall cause CST Trust Company as registrar and transfer agent of the Shares, to facilitate an electronic deposit on behalf of Vendor; and

(j) each Party shall execute and deliver such additional documents as may be required hereunder or as the other Party may reasonably request it to provide in order to implement or document the Closing.

2.5 Form of Payment and Anti-Money Laundering

The Parties agree that the Base Purchase Price shall be satisfied by delivery at Closing by Purchaser to Vendor:

(a) C$1,000,000,000 in cash (the "**Cash Consideration**"); and

(b) the issuance of 10,023,101 Shares (the "**Consideration Shares**"), having an agreed upon value of C$368,800,000.

The Parties agree that any adjustment to the Purchase Price pursuant to Subsections 2.2(c) and (d) shall be accomplished by an increase or decrease, as applicable, to the amount of Consideration Shares to be issued at Closing. Changes to the Purchase Price pursuant to Subsection 2.2(b) that relate to the interim statement of adjustments shall be accomplished by an increase or decrease, as applicable, to the amount of Consideration Shares to be issued at Closing, and changes pursuant to Subsection 2.2(b) in relation to the final statement of adjustments shall be paid in cash by the requisite Party to the other in accordance with Article 8. For purposes of adjustments to the Consideration Shares, the Parties agree to use a per Consideration Share value equal to the price per Consideration Share that would result from the division of the agreed upon value in Subsection 2.5(b) by the unadjusted number of shares specified in that Subsection.

All cash payments to be made pursuant to this Agreement shall be made in immediately releasable Canadian funds. All cash payments to be made by Purchaser at Closing shall be made payable to Vendor by wire transfer using the following wire transfer information:

[REDACTED – Vendor Banking Information]

Furthermore, Purchaser undertakes to the Vendor that, in connection with this Agreement, it is knowledgeable about and will comply with all laws, regulations, rules and requirements relating to anti-money laundering applicable to its performance of this Agreement. Purchaser hereby agrees that the following will be the bank account from which it shall be providing all cash payments to be made pursuant to this Agreement:

[REDACTED – Purchaser Banking Information]

2.6 Allocation of Purchase Price

The Parties hereby agree to allocate the Purchase Price amongst the Assets as follows:

(a)	Petroleum and Natural Gas Rights	80%
(b)	Tangibles	20% minus the value attributed to the Miscellaneous Interests
(c)	Miscellaneous Interests	$1.00

The Parties shall report the sale and purchase of the applicable Assets pursuant hereto for all federal, provincial and local tax purposes in a manner consistent with the allocation referred to in this Section 2.6.

2.7 <u>Sales Taxes and Other Taxes</u>

(a) The Purchase Price is exclusive of Sales Taxes. At Closing, Purchaser shall pay to Vendor the Sales Taxes, other than GST. GST shall be paid by Purchaser to Vendor within 30 days of Closing. All Sales Taxes payable in respect of the purchase and sale of the Assets pursuant hereto (excluding the portion of the Purchase Price allocated to the Petroleum and Natural Gas Rights) shall be paid in Canadian funds by Purchaser and remitted by Vendor according to Applicable Law. The GST registration number of Vendor is **[REDACTED – Vendor GST Number]** and of Purchaser is **[REDACTED – Purchaser GST Number]**. The Parties shall report the sale and purchase of the applicable Assets pursuant hereto for PST purposes in a manner consistent with the values as described in Schedule "N".

(b) If Vendor is required to collect from Purchaser any other tax, fee or charge under Applicable Law in connection with Purchaser acquiring the Assets, then Purchaser shall pay the amount of those taxes, fees or charges to Vendor, and Vendor shall remit those amounts in the manner required by Applicable Law.

(c) If any amount becomes payable pursuant to this Agreement as a result of a breach, modification or termination of this Agreement, the amount payable shall be increased by any applicable Sales Taxes remittable by the recipient in respect of that amount.

2.8 <u>Deposit</u>

(a) Vendor acknowledges receipt from Purchaser, on the day of execution of this Agreement, of a cash deposit equal to 5% of the Base Purchase Price (the "**Deposit**") paid by wire transfer, which shall be held by Vendor, in accordance with the terms and conditions of this Agreement.

(b) If Closing does not occur, then with respect to the Deposit:

(i) if the reason Closing does not occur is due to an exercise of the termination provisions of Section 9.2 on account of Purchaser's Closing conditions not being met through no act, default or omission of Purchaser, then Vendor shall reimburse Purchaser the full amount of the Deposit, without interest;

(ii) in all other circumstances, the Deposit and any interest accruing thereon, shall be retained by Vendor as liquidated damages, to compensate Vendor for its Losses in connection with the Transaction and the delay or permanent impairment caused to Vendor's efforts to sell the Assets and, in consideration for its retention of the Deposit, Vendor hereby waives any and all rights or additional remedies that may be available to it, at law or in equity, as a result of Closing not occurring in such circumstances. For clarity, Vendor's retention of the Deposit is not a penalty but is a genuine pre-estimate by the Parties of the damages that Vendor will suffer, having regard to the size of the Purchase Price, the amount of time between the date hereof and the Closing Time, and the time and expense incurred and to be incurred by Vendor.

(c) If Closing occurs, Vendor will apply the Deposit, without interest, as partial payment of the Purchase Price in accordance with Section 2.2, and applied solely against the Cash Consideration for purposes of Section 2.5.

2.9 <u>Assumption of Certain Liabilities</u>

In the determination of the consideration payable for the Assets, Vendor and Purchaser confirm and agree that: (i) past, present and future Environmental Liabilities have been taken into account in establishing the value of the Assets; (ii) such Environmental Liabilities cannot be separated from the ownership rights in the Assets; and (iii) moreover, that such obligations are not capable of quantification as of the Closing Time. Vendor and Purchaser have not attributed a specific or agreed to value with regard to either: (i) such Environmental Liabilities; or (ii) the indemnities provided for herein, nor shall there be any related adjustments made to the consideration pursuant to Article 8.1. For greater certainty, neither the existence nor amount of any accounting reserve for asset reclamation obligations or similar matters in the financial statements or accounting records of Vendor or Purchaser has been of any relevance to either Vendor or Purchaser in determining the value of the Assets.

2.10 <u>Evidence of Financial Capacity</u>

Purchaser covenants that no later than 5 Business Days prior to the anticipated Closing Time, it shall provide Vendor with sufficient evidence, such sufficiency to be in Vendor's reasonable determination, of Purchaser having secured financing or having the financial capability to both pay the Purchase Price at the Closing Time, and to make any other payments required by Purchaser hereunder at the times specified therefor.

2.11 <u>Restrictions on Offerings</u>

During the period beginning on the date hereof and ending on the date that is four months and one day after the Closing Time, Purchaser shall not, directly or indirectly, without the prior written consent of Vendor (which consent shall not be unreasonably withheld, conditioned or delayed), issue, offer or grant any option, warrant or other right to purchase or agree to issue or sell, or otherwise lend, transfer, assign, pledge or dispose of (including without limitation by making any short sale, engaging in any hedging, monetization or derivative transaction or entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or other equity securities of Purchaser or securities convertible into, exchangeable for, or otherwise exercisable into Shares or other equity securities of Purchaser, whether or not cash settled), in a public offering or by way of private placement or otherwise, any equity securities of Purchaser or other securities convertible into, exchangeable for, or otherwise exercisable into Shares or other equity securities of the Purchaser, or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, other than: (a) the Consideration Shares; (b) Shares or any other equity or debt securities to be issued pursuant to any public offerings or private placements for the purpose of funding the Cash Consideration and Purchaser's completion of its obligations pursuant to this Agreement and in relation to the Transaction and for general corporate purposes solely in connection with the Assets or the Transaction; or (c) options granted under the stock option plan of Purchaser, dated effective October 27, 2008, as amended, and in compliance with the requirements of the TSX, and Shares issued upon the exercise of such options.

ARTICLE 3
DUE DILIGENCE REVIEW

3.1 Vendor to Provide Continued Access

(a) Vendor has provided, and from and after the date of this Agreement and until Closing shall provide, subject to the nature of its interest in the Assets and to any contractual obligations and limits, reasonable access by Purchaser and its representatives to the records, files and documents directly relating to the Assets, including any Title and Operating Documents that are in Vendor's or its Affiliate's possession and control for the purpose of Purchaser's due diligence in respect of the Assets and review and verification of Vendor's title thereto. Unless otherwise agreed by the Parties, such access shall take place at Vendor's offices during normal business hours or by way of the Virtual Data Room.

(b) Until Closing, Vendor shall, subject to the nature of its interest in the Assets and to any contractual and safety obligations, limits and requirements, provide or arrange for reasonable access by Purchaser and its Representatives to the field locations at which the Wells, Facilities and Tangibles are situated in order to conduct a physical inspection thereof. Purchaser shall use its reasonable efforts to limit and minimize any disruption to operations that may be caused by such inspections. All such inspections shall be conducted at Purchaser's sole cost, risk and expense and Purchaser shall defend, indemnify and save harmless Vendor and each of Vendor's Representatives from and against all Losses and Liabilities suffered, sustained, paid or incurred by any of them and all claims made against any of them as a consequence of any bodily injury or death suffered by any of Purchaser's Representatives or any damage to the property of Purchaser or any of its Representatives in connection with such access and inspections. Purchaser agrees and acknowledges that prior to accessing any such locations, it and its Representatives may be required to sign such contractual agreements in relation to permitted access, liability, conduct, safety, orientation and confidentiality as Vendor deems necessary, in its sole discretion.

(c) Purchaser's indemnity in Section 3.1(b) shall survive Closing and any termination of this Agreement.

3.2 Title Defects

(a) Not later than ten (10) Business Days prior to the Closing Date, Purchaser shall give the Vendor written notice of any Material Title Defects that Purchaser does not waive; provided if such notice is not received at any time at or before 4:00 p.m., Calgary time, ten (10) Business Days prior to the Closing Date, the title of the Vendor in and to the Assets shall be deemed to be acceptable to the Purchaser for purposes of this Agreement. Such notice shall specify such Material Title Defects in reasonable detail, the Assets directly affected thereby, the *bona fide* value allocated by the Purchaser, acting reasonably, to the affected Assets and the *bona fide* amount, in the Purchaser's opinion, acting reasonably, by which the value of each affected Asset has been reduced by such Material Title Defect (the "**Title Defect Value**"), reasonable detail as to how such Title Defect Value was calculated and Purchaser's requirements for the rectification or curing thereof. The Vendor shall use reasonable efforts to cure such Material Title Defects not later than five (5) Business Days prior to the Closing Date, provided that the Vendors shall not be required to make any payment or expend any monies to cure such Material Title Defects.

(b) Insofar as any Material Title Defects described in the Purchaser's notice have not been cured to Purchaser's reasonable satisfaction (the "**Uncured Title Defects**") on or before the day that is two (2) Business Days prior to the Closing Date, then:

(i) where the aggregate Title Defect Value of the Uncured Title Defects is less than **[REDACTED – Dollar Amount]**, subject to the other provisions of this Agreement, Purchaser shall complete the purchase of the Assets without adjustments to the Purchase Price on account of such Title Defects;

(ii) where the aggregate Title Defect Value of the Uncured Title Defects is greater than **[REDACTED – Dollar Amount]**, Purchaser may elect on or before the Closing Date:

1. to waive the Uncured Title Defects and, subject to the other provisions of this Agreement, proceed with Closing in which case Purchaser shall complete the purchase of the Assets without adjustments to the Purchase Price on account of such Uncured Title Defects; or

2. to not waive the Uncured Title Defects and, subject to the other provisions of this Agreement, proceed with Closing, in which event the Purchase Price as described in Section 2.2, as well as the amount of the Purchase Price allocated, for tax purposes, to Petroleum and Natural Gas Rights pursuant to Section 2.6, shall be reduced by the amount by which the aggregate Title Defect Value of all Uncured Title Defects exceeds **[REDACTED – Dollar Amount]** to a maximum reduction of **[REDACTED – Dollar Amount]** (the "**Title Adjustment**") and the affected Assets shall be included in the Assets.

Failure by Purchaser to elect or to elect in a timely manner shall be conclusively deemed to be an election to waive all Uncured Title Defects for the purposes of this Section 3.2.

For greater certainty, no reduction of the Purchase Price pursuant to this Section 3.2 shall exceed **[REDACTED – Dollar Amount]**.

3.3 Environmental Review

(a) Not later than ten (10) Business Days prior to the Closing Date, Purchaser shall give the Vendor written notice of any Environmental Defects that Purchaser does not waive; provided if such notice is not received at any time at or before 4:00 p.m., Calgary time, ten (10) Business Days prior to the Closing Date, the environmental condition of the Assets shall be deemed to be acceptable to the Purchaser for purposes of this Agreement. Such notice shall specify such Environmental Defects in reasonable detail, the Assets directly affected thereby, the *bona fide* value allocated by the Purchaser, acting reasonably, to the affected Assets and the Estimated Environmental Cost of such Environmental Defect, reasonable detail as to how such Estimated Environmental Cost was calculated and Purchaser's requirements for the rectification or curing thereof. The Vendor shall use reasonable efforts to cure such Environmental Defects not later than five (5) Business Days prior to the Closing Date, provided that the Vendors shall not be required to make any payment or expend any monies to cure such Environmental Defects.

(b) Insofar as any Environmental Defects described in the Purchaser's notice have not been cured to Purchaser's reasonable satisfaction (the "**Uncured Environmental Defects**") on or before the day that is two (2) Business Days prior to the Closing Date, then:

(i) where the aggregate Estimated Environmental Cost of the Uncured Environmental Defects is less than **[REDACTED – Dollar Amount]**, subject to the other provisions of this Agreement, Purchaser shall complete the purchase of the Assets without adjustments to the Purchase Price on account of such Environmental Defects;

(ii) where the aggregate Estimated Environmental Cost of the Uncured Environmental Defects is greater than **[REDACTED – Dollar Amount]**, Purchaser may elect on or before the Closing Date:

1. to waive the Uncured Environmental Defects and, subject to the other provisions of this Agreement, proceed with Closing in which case Purchaser shall complete the purchase of the Assets without adjustments to the Purchase Price on account of such Uncured Environmental Defects; or

2. to not waive the Uncured Environmental Defects and proceed with Closing, in which event the Purchase Price as described in Section 2.2 as well as the amount of the Purchase Price allocated, for tax purposes, to Petroleum and Natural Gas Rights pursuant to Section 2.6, shall be reduced by the amount by which the

aggregate Estimated Environmental Cost of all Uncured Environmental Defects exceeds **[REDACTED – Dollar Amount]** (the "**Environmental Adjustment**") and the affected Assets shall be included in the Assets.

Failure by Purchaser to elect or to elect in a timely manner shall be conclusively deemed to be an election to waive all Uncured Title Defects for the purposes of this Section 3.3.

For greater certainty, no reduction of the Purchase Price pursuant to this Section 3.3 shall exceed **[REDACTED – Dollar Amount]**.

3.4 Disputes

All disputes with respect to the validity or value of any asserted Material Title Defect or Environmental Defect shall be resolved pursuant to the provisions of Article 12.

3.5 No Other Remedies

Other than in respect of breaches of Vendor's representation and warranty in Subsection 5.1(f), in relation to Material Title Defects, and of breaches of Vendor's representation and warranty in Subsection 5.1(j), in relation to Environmental Defects:

(a) Purchaser agrees and acknowledges that, with respect to any Material Title Defect or Environmental Defect the right to price adjustment provided in this Article 3 shall constitute the sole rights and remedies of Purchaser in respect of same; and

(b) in addition, notwithstanding anything else contained in this Agreement, Purchaser shall have no right to price adjustment, termination, indemnity or any cause of action or other remedy on account of any such Material Title Defect, Environmental Defect or similar matter, whether identified before or after Closing, except as set out in and in compliance with this Article 3.

ARTICLE 4
CONSENTS AND REGULATORY APPROVALS

4.1 Consents

(a) Where a Title and Operating Document or Assumed Agreement contains a Right of First Refusal or otherwise provides that Vendor shall obtain the written consent from a Third Party prior to the disposition of any rights subject to the Title and Operating Document, or for the assignment and novation of the Assumed Agreement, to Purchaser, Vendor shall promptly serve all required notices after execution of this Agreement and both Parties shall use commercially reasonable efforts to obtain any such consents, or waivers of Rights of First Refusal, prior to Closing.

(b) Subject to Section 4.1(a), where a Title and Operating Document or an Assumed Agreement provides or legally requires that Vendor shall obtain the written consent from a Third Party prior to the disposition of any rights subject to the Title and Operating Document, or for the assignment and novation of an Assumed Agreement, to Purchaser, the failure to obtain such consent prior to the Closing Time shall not constitute grounds for failing to close the Transaction and shall not constitute a breach of any of Vendor's covenants, representations or warranties.

(c) Vendor shall give prompt written notice to Purchaser of all written consents sought for which consents are either granted or refused. If any Third Party notifies Vendor that it refuses to give the consent required pursuant to a Title and Operating Document, the Parties shall cooperate in attempting to obtain such consent. If any Third Party notifies Vendor that it refuses to give the consent required for the assignment and novation of an Assumed Agreement, the Parties shall cooperate in attempting to obtain such consent; however, the Vendor may elect, without adjustment of the Purchase Price, to remove such Assumed Agreement from the Assets, and such shall not constitute grounds for failing to close the Transaction in relation to the remaining Assets and shall not constitute a breach of any of Vendor's covenants, representations or warranties. If a consent for a Title and Operating Document is not obtained prior to Closing, Vendor shall hold Purchaser's beneficial interest in that Title and Operating Document in trust for Purchaser and both Parties shall continue to seek such written consent from the Third Party. If a consent for the assignment and novation of an Assumed Agreement is not obtained prior to the Closing Time, Vendor may elect to hold Purchaser's beneficial interest in that Assumed Agreement in trust for Purchaser after Closing, and in such case both Parties shall continue to seek such written consent from the Third Party, or Vendor may elect, without adjustment of the Purchase Price hereunder, to remove such Assumed Agreement from the Assets, and such shall not constitute grounds for failing to close the Transaction in relation to the remaining Assets and shall not constitute a breach of any of Vendor's covenants, representations or warranties.

(d) To the extent not acquired prior to Closing, the Parties shall, after Closing, cooperate in securing all consents required to permit the conveyance of the Assets to Purchaser as contemplated in this Agreement and each Party shall take such further actions as reasonably required to permit such conveyance.

(e) Where the Assets are subject to a Right of First Refusal which has been disclosed herein, Purchaser will supply to Vendor, in good faith and on a reasonable basis within three Business Days after the execution hereof, the value or allocation proposed by Purchaser for any of the Assets for which a Right of First Refusal notice is required under this Section and Vendor shall use such value or allocation provided by Purchaser.

(f) If any third party elects to exercise a Right of First Refusal, the Vendor will promptly notify the Purchaser and the Purchaser will proceed only with the acquisition of those interests in the Assets to which those exercised third party Rights of First Refusal do not directly pertain. Subject to the other terms and conditions hereof, the Parties will proceed with Closing for those unaffected Assets, and will reduce the Purchase Price by the value attributed to the Assets upon which a Right of First Refusal has been exercised.

(g) Purchaser shall be liable to Vendor and its Representatives for and, as a separate and independent covenant, shall indemnify and save harmless Vendor from and against all Losses arising out of, or attributable to, the use of Purchaser's allocations under Section 4.1(e).

4.2 <u>Regulatory Approvals Applications</u>

(a) As promptly as practicable, but in no event later than 5 Business Days following the execution and delivery of this Agreement, to the extent required by Applicable Law: (i) each of the Parties shall file with the Commissioner under the *Competition Act* the notification form required for the Transaction; or (ii) in the alternative, Purchaser shall file with the Commissioner a request for an ARC or a no action letter and such other filings as may subsequently be requested by such Commissioner, as applicable.

(b) With respect to obtaining the *Competition Act* Approval, each Party shall:

(i) not extend or consent to any extension of any applicable waiting or review period or enter into any agreement with a Governmental Authority to not consummate the Transaction, except upon the prior written consent of the other Parties, such consent not to be unreasonably withheld, conditioned or delayed;

(ii) submit any supplemental information requested by any Governmental Authority in connection with any Regulatory Approval as promptly as practicable;

(iii) furnish to each other such necessary information and reasonable assistance as the other may reasonably request in connection with its preparation of any filing or submission that is necessary or mutually desirable under the *Competition Act*, provided that if any Party is required to provide information to another Party that the providing Party deems, acting reasonably, to be competitively or commercially sensitive information (or otherwise reasonably determines in respect thereof that disclosure should be restricted), the providing Party may restrict the provision of such information to the other Party to the other Party’s legal counsel;

(iv) keep the other Party apprised of the status of any communications with, and provide copies or summaries of such communications to the other Party as are material, as well as provide copies to the other Party of any inquiries or requests for additional information from any Governmental Authority;

(v) not participate in any planned meeting or planned discussion (whether in person, by phone or otherwise) with a Governmental Authority unless it consults with the other Party in advance and gives the other Party the opportunity to attend thereat (except (i) where the timing of the response requested by the Governmental Authority does not reasonably permit such consultation, (ii) the Governmental Authority expressly requests that the other should not be present at the meeting or discussion or part or parts of the meeting or discussion, or (iii) where competitively or commercially sensitive information may be discussed, in which case, with respect to meetings and discussions with the Governmental Authority, every effort will be made to allow legal counsel to participate);

(vi) permit the other Party to review in advance any proposed written communications of any nature with a Governmental Authority and provide the other Party with final copies thereof unless the timing or scale or size of the response requested by the Governmental Authority does not reasonably permit such review or except in respect of competitively or commercially sensitive information, which competitively and/or commercially sensitive information will be redacted from the draft written communications to be shared with the other Party and will be provided (on an unredacted basis) only to the legal counsel of the other Party; and

(vii) not take or agree to take any action, or assist, counsel or encourage any Third Party not to take or agree to enter into any acquisition or other corporate transaction, whether directly or indirectly, that would be reasonably likely to (i) materially delay the obtaining of, or result in not obtaining, any permission, approval or consent from any Governmental Authority necessary to be obtained, (ii) materially increase the risk of any Governmental Authority entering an order prohibiting the consummation of the Transaction, (iii) materially increase the risk of not being able to have vacated, lifted, reversed or overturned any such order on appeal or otherwise or (iv) otherwise prevent or materially delay the consummation of the Transaction.

(c) Purchaser shall use commercially reasonable efforts to obtain the Regulatory Approvals.

(d) All filing fees and applicable taxes in respect of any filing made to any Governmental Authority shall be the sole responsibility of Purchaser.

(e) Vendor shall use commercially reasonable efforts to co-operate with Purchaser to the extent such co-operation is necessary for Purchaser to obtain the Regulatory Approvals, provided that Vendor shall not be required to incur any material expenses or undertake any material obligations or responsibilities for purposes of obtaining the consent of the Commissioner to Close the Transaction, if required to obtain Competition Act Approval.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 <u>Representations and Warranties of Vendor</u>

Vendor hereby represents and warrants to Purchaser at the date hereof that, subject to the Permitted Encumbrances, consents, approvals and waivers contemplated by this Agreement:

(a) **Standing:** Vendor was formed as a general partnership under the *Partnership Act* (Alberta) and currently exists and is registered as a general partnership under that Act. Vendor is duly organized, validly subsisting, and authorized to carry on business in the jurisdictions in which the Assets are located;

(b) **Authority:** Vendor now has, and shall have at all times material to the Transaction, taken all necessary actions and has all requisite capacity, power and authority to enter into this Agreement and the other agreements and documents required to be delivered by it pursuant hereto, and to perform its obligations under this Agreement and the other agreements and documents required to be delivered by it pursuant hereto;

(c) **Execution and Enforceability of Documents:** This Agreement has been, and any other document or agreement delivered in connection herewith to which Vendor is a party will be, duly executed and delivered by it and constitute legal, valid, binding and enforceable obligations of Vendor, subject to the qualification that such enforceability may be subject to:

(i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditor's rights generally; and

(ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);

(d) **No Conflicts:** The consummation by Vendor of the Transaction will not, in any material respects, violate, or be in breach of, or conflict with any of the constating documents, including, if applicable, any partnership agreement, charter, by-laws or other governing documents of Vendor or any provision of any material agreement or instrument to which Vendor is party or by which Vendor or its interests in the Assets are bound, or any Applicable Law applicable to Vendor or its interests in the Assets;

(e) **Canadian Resident:** It is not a 'non-resident' of Canada within the meaning of the *Income Tax Act* (Canada);

(f) **Title and Quiet Enjoyment:** Although it does not represent nor warrant title to the Assets, Vendor does represent and warrant that, subject to Vendor's other representations and warranties made under this Article and the Permitted Encumbrances:

(i) it has not assigned, mortgaged or in any way alienated or encumbered any of its interests in the Assets;

(ii) the Assets will be, at the Closing Time, free and clear of all liens, encumbrances, Security Interests, production penalties, reductions in interest and adverse claims created by, through or under Vendor; and

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

(g) **Finders' Fees:** It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the Transaction for which Purchaser shall have any obligation or liability;

(h) **No Lawsuits or Claims:** Except as disclosed to Purchaser in the Disclosure Materials, there are no material unsatisfied claims, proceedings, actions, lawsuits or administrative proceedings in existence or, to the knowledge of Vendor, threatened by, on behalf of, or against Vendor, or imposed by any Governmental Authority with respect to the Assets;

(i) **Payment of Taxes and Third Party Payables:** To Vendor's knowledge, all amounts due and payable to Third Parties prior to the date hereof and pertaining to the Assets, have been or will be fully paid by Closing or by the time required under Applicable Law for payment thereof, including:

(i) any and all rentals and all *ad valorem* property taxes, and

(ii) all production, severance and similar taxes and assessments based on or measured by the ownership of the Assets, or the production of Petroleum Substances from the Lands, or the receipt of proceeds therefrom;

(j) **Environmental:** Except as disclosed to Purchaser in the Disclosure Materials, Vendor has not received and does not have knowledge of:

(i) any orders or directives under Applicable Law which relate to environmental matters including the use or disposal of hazardous materials or any fines or penalties that require any work, repairs, construction or capital expenditures with respect to the Assets, where such orders or directives have not been complied with in all material respects; or

(ii) any demand or notice from any Governmental Authority under Applicable Law with respect to the breach of any environmental, health or safety law applicable to the Assets, including respecting the use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding on the date hereof;

(k) **Sales, Processing and Transportation Contracts:** Except for the Assumed Agreements, Vendor is not a party to and Vendor's interest in and to the Assets is not otherwise bound or affected by any:

(i) production sales contracts pertaining to the Petroleum Substances or any of them, including those that contain Take or Pay Obligations, that cannot be terminated on notice of 31 days or less (without an early termination penalty or other cost);

(ii) agreements for the transportation, processing or disposal of the Petroleum Substances or any of them or substances produced in connection with the Petroleum Substances or any of them;

(iii) agreements for the contract operation by a Third Party of the Assets or any of them; or

(iv) agreements to provide transportation or processing to any Third Party;

(l) **Assets Not Removed:** No tangible depreciable property and assets which are used, were used or are intended to be used in producing, processing, gathering, treating, measuring, making marketable or injecting the Petroleum Substances or any of them or in connection with water injection or removal operations that pertain to the Petroleum and Natural Gas Rights, shall have been removed from its location between the date hereof and the Closing Time, other than as required in the ordinary course of business, nor has Vendor alienated or encumbered any such tangible depreciable property and assets since such date;

(m) **Offset Obligations:** Vendor has not received any notice from, or on behalf of, the applicable lessor that a lease is subject to an offset obligation, including an unsatisfied obligation to drill a well or surrender rights or an obligation to pay compensatory royalties;

(n) **Financial Commitments:** Except as provided for in Schedule "M", as may be authorized under Subclause 7.2(a) or as are operating costs incurred in the ordinary course of business, there are no financial commitments of Vendor respecting the Assets which are in excess of **[REDACTED – Dollar Amount]** and which are due as of the date of this Agreement or which may become due by virtue of matters occurring or arising prior to the date of this Agreement;

(o) **AMI:** There are no active area of mutual interest or area of exclusion provisions in any of the Title and Operating Documents or other agreements or documents to which the Assets are subject;

(p) **No Limit on Production:** Except as disclosed to Purchaser in the Disclosure Materials and for production limits of general application in the oil and gas industry, to Vendor's knowledge none of the Wells are subject to production limitations or similar restrictions imposed by the Title and Operating Documents or by any Applicable Law;

(q) **Provision of Documents:** As of the Closing Date, Vendor will not have knowingly withheld from Purchaser or its Representatives any material records, books, accounts, documents, files, information, materials and filings pertaining to the ownership of the Assets, including all of the relevant Title and Operating Documents, Assumed Contracts and other material agreements and documents comprising the Miscellaneous Interests, that were in Vendor's possession and control as at the execution of this Agreement;

(r) **Operations:** Those Wells and Tangibles for which Vendor is operator have been operated and, if applicable, abandoned in all material respects in accordance with good oil and gas field practices and the material requirements of Applicable Law during the period or periods in which Vendor has been the operator thereof;

(s) **No Default**: Vendor has not received written notice of any default or purported default under any of the Title and Operating Documents or the Assumed Contracts included in the Miscellaneous Interests that remains outstanding in any material respect or that has not been remedied in all material respects and, to Vendor's knowledge, there has been no act or omission by Vendor that reasonably could constitute a breach of or a default under a Title and Operating

Document or Assumed Contract that has not been remedied in all material respects;

(t) **Compliance with Applicable Law:** Except as disclosed to Purchaser in the Disclosure Materials, Vendor has not received written notice of any breach or purported breach of any Applicable Law pertaining to the Assets or its ownership or operation thereof (excluding any Applicable Law relating to the environment) that remains outstanding in any material respect or that has not been remedied in all material respects and, to Vendor's knowledge, there has been no act or omission by Vendor that reasonably could constitute a breach of any such Applicable Law that has not been remedied in all material respects;

(u) **Liability Management and Licensee Liability Ratings:**

(i) Vendor or an Affiliate of Vendor is registered as required with the AER and the BCOGC, and meets all qualification requirements of all Governmental Authorities and under Applicable Law, in order to transfer and convey the Assets, in the manner contemplated in this Agreement, including the requirements of any applicable Governmental Authority to have the licenses for the Wells and Tangibles (for which Vendor is licensee) transferred to Purchaser; and

(ii) Vendor’s Liability Management Rating:

1. as assessed by the AER and associated Applicable Law with respect to the Assets located in Alberta; and

2. as assessed by the BCOGC and associated Applicable Law with respect to the Assets located in British Columbia,

is, separately and collectively, greater than or equal to 1.0 and will not fall below 1.0 (or such equivalent standards under Applicable Law), or require any security deposits or other transactions, as a result of the Agreement, the Transaction and the transfers and conveyances contemplated hereby;

(v) **Rights of First Refusal:** To Vendor's knowledge, except to the extent identified in the Schedules, none of the interest of Vendor in and to the Assets is subject to any preferential or pre-emptive right of purchase or a Right of First Refusal created by, through or under it or of which it is aware, that becomes operative by virtue of this Agreement or the Transaction;

(w) **Securities Law Matters:** Vendor acknowledges and agrees for the benefit of Purchaser that:

(i) the Consideration Shares have not been qualified for distribution in Canada or any province or territory of Canada or elsewhere by the filing of a prospectus with any Securities Regulatory Authority or otherwise;

(ii) the Consideration Shares are being offered and issued to Vendor hereunder in reliance upon the "asset acquisition" exemption contained in subsection 2.12 of National Instrument 45-106 – *Prospectus Exemptions* and the certificate or the relevant ownership statement under a direct registration system or other book entry system or other form of written notice representing the Consideration Shares shall bear the legend required pursuant to National Instrument 45-102 – *Resale of Securities*;

(iii) the Consideration Shares shall be subject to restrictions on resale until such time that:

1. the statutory hold period has expired under Applicable Securities Laws;

2. a further statutory exemption under Applicable Securities Laws may be relied upon by Vendor; or

3. an appropriate discretionary order is obtained pursuant to Applicable Securities Laws;

(iv) the Consideration Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and these securities may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and the Applicable Laws of all applicable states and acknowledges that Purchaser has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Consideration Shares;

(v) the certificate evidencing the Consideration Shares shall bear a legend in the case of a certificated issue, or a notation in the case of an electronic deposit to the following effect:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES SHALL NOT TRADE THE SECURITIES BEFORE ***[INSERT THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE CLOSING]***

and

(vi) Vendor further acknowledges that Purchaser will be required by Applicable Securities Laws to complete and publicly file on SEDAR a Form 45-106F1 – Report of Exempt Distribution with applicable Securities Regulatory Authorities and Vendor agrees to provide Purchaser with information and assistance as is reasonably necessary for such purpose; and

(x) **Share Ownership:** To the knowledge of Vendor, neither Vendor nor any of its Affiliates, (i) directly or indirectly, owns, controls or directs more than 1.0% of the issued and outstanding Shares, or is acting jointly or in concert with any other Person regarding the ownership, control or direction of Shares, or (ii) has any present intention to acquire Shares prior to the Closing Date.

5.2 <u>No Additional Representations or Warranties by Vendor</u>

(a) Each representation and warranty of Vendor in this Agreement shall be qualified, by excepting therefrom any matter, event or circumstance (i) to the extent expressly disclosed in the Disclosure Materials or otherwise in this Agreement or (ii) which Purchaser was otherwise expressly aware of prior to its execution of this Agreement and that in the absence of this Section would constitute or give rise to a breach of a representation or warranty set forth in Section 5.1.

(b) Purchaser acknowledges that it is purchasing the Assets on an 'as is, where is' basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or its Representatives, whether oral, visually or in writing, except as expressly set forth in Section 5.1. In particular, and without limitation, Vendor hereby negates any representations or warranties, whether contained in any presentation, document, report, correspondence, model, file, memorandum or otherwise, with respect to:

(i) any data, reports, materials or information supplied by Vendor or its Representatives in connection with the Assets, this Agreement or the Transaction, whether provided in the Disclosure Materials or otherwise, including any engineering, geological, reserve, resource or other interpretations or economic evaluations respecting the Assets;

(ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands;

(iii) the value of the Assets or the future cash flow therefrom; and

(iv) the quality, condition, serviceability, fitness or marketability of the Wells and any Tangible, depreciable equipment or property or interests which comprise the Assets, including their suitability for use for any purpose.

(c) Purchaser acknowledges and confirms that it has performed and will continue to perform its own due diligence and it has not relied on any data, information or advice from Vendor or its Representatives with respect to any or all of the matters specifically enumerated in this Section in connection with the purchase of the Assets pursuant to this Agreement. In addition, Purchaser specifically acknowledges and confirms that, with the exception of the representations and warranties expressly set forth in Section 5.1, in agreeing to enter into and to consummate the Transaction, it has relied, and will continue to rely, solely upon its own engineering and other evaluations and projections as the same relate to the Assets and on its own inspection of all other physical property and assets which comprise the Assets.

(d) Vendor makes no representation or warranty regarding its title to the Assets except as set forth in Section 5.1(f) and makes no representation or warranty with respect to Environmental Liabilities except as set forth in Section 5.1(j).

5.3 Representations and Warranties of Purchaser

Purchaser hereby represents and warrants to Vendor at the date hereof that, subject to the consents, approvals and waivers contemplated by this Agreement:

(a) **Corporate Standing:** Purchaser is a corporation duly organized, validly subsisting and in good standing under the laws of its jurisdiction of incorporation and duly registered, validly subsisting and authorized to carry on business in the jurisdictions in which the Assets are located;

(b) **Corporate Authority:** Purchaser has taken all necessary corporate actions and has all requisite capacity, power and authority to enter into this Agreement and the other agreements and documents required to be delivered by it pursuant hereto, and to perform all other obligations of Purchaser under this Agreement and the other agreements and documents required to be delivered by it pursuant hereto;

(c) **Execution and Enforceability of Documents:** This Agreement has been, and any other document or agreement delivered in connection herewith to which Purchaser is a party will be, duly executed and delivered by it and constitute legal, valid, binding and enforceable obligations of Purchaser, subject to the qualification that such enforceability may be subject to:

(i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditor's rights generally; and

(ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);

(d) **No Conflicts:** The consummation by Purchaser of the Transaction will not, in any material respects, violate, be in breach of, or conflict with any of the constating documents, including, by-laws or other governing documents of Purchaser or any provision of any material agreement or instrument to which Purchaser is party or by which Purchaser or its assets are bound, or any Applicable Laws applicable to Purchaser or its assets;

(e) **Finders' Fees:** It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the Transaction for which Vendor shall have any obligation or liability;

(f) **Regulatory Transfer Requirements:** Purchaser meets all qualification requirements of all Governmental Authorities and under Applicable Law to purchase, accept and hold the Assets, including the requirements of any applicable Governmental Authority to have the licences for the Wells and Tangibles (for which Vendor is the licensee) transferred to Purchaser;

(g) **Liability Management and Licensee Liability Ratings:**

(i) Purchaser is registered as required with the AER and the BCOGC, and meets all qualification requirements of all Governmental Authorities and under Applicable Law, in order to purchase, accept and hold the Assets, including the requirements of any applicable Governmental Authority to have the licenses for the Wells and Tangibles (for which Vendor is licensee) transferred to Purchaser; and

(ii) Purchaser's Liability Management Rating:

1. as assessed by the AER and associated Applicable Law with respect to the Assets located in Alberta; and

2. as assessed by the BCOGC and associated Applicable Law with respect to the Assets located in British Columbia,

is, separately and collectively, greater than or equal to 2.0 and will not fall below 2.0 (or such equivalent standards under Applicable Law), or require any security deposits or other transactions, as a result of the Agreement, the Transaction and the transfers and conveyances contemplated hereby;

(h) ***Investment Canada Act*:** Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*;

(i) **No Lawsuits or Claims:** There are no material unsatisfied claims, proceedings, actions, lawsuits or administrative proceedings in existence or, to the knowledge of Purchaser, threatened by, on behalf of, or against Purchaser, or imposed by any Governmental Authority, whether or not insured which may have a material adverse effect on the condition of Purchaser (financial or otherwise) or the ability of Purchaser to complete the Transaction;

(j) **Acquiring as Principal:** Purchaser is acquiring the Assets as principal and not on behalf of any Third Party;

(k) **Financial Capacity:** Purchaser has sufficient cash, available lines of credit, or other sources of immediately available funds or committed financing to enable Purchaser to make payment of the Purchase Price at Closing and any other amounts to be paid by it hereunder, without breach or amendment of existing lines of credit or other financing facilities. There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated or threatened against Purchaser or to Purchaser's Knowledge, any direct or indirect shareholder of Purchaser that is an Affiliate of Purchaser;

(l) **Securities Regulation:**

(i) the Purchaser is a 'reporting issuer' or equivalent in each of the provinces of Canada within the meaning of Applicable Securities Laws, and is not in default in any material respect of any of the requirements of the Applicable Securities Laws Legislation or any of the administrative policies or notices of any stock exchange or securities regulatory authority to which jurisdiction the Purchaser is subject;

(ii) the information and statements set forth in the Public Record were true, correct and complete in all material respects and did not contain any Misrepresentation, as of the date of such information or statement, and the Purchaser has not filed any confidential material change report still maintained on a confidential basis; and

(iii) no securities commission or any other securities commission or similar regulatory authority or the TSX, or any other stock exchange or listing entity the rules of which the Purchaser is subject to, has issued any order preventing or suspending trading of any securities of the Purchaser or preventing the issuance of the Consideration Shares, and in each such case, no such proceeding is, to the knowledge of the Purchaser, pending, contemplated or threatened;

(m) **Share Capital:**

(i) the authorized capital of the Purchaser consists of an unlimited number of Shares, an unlimited number of preferred shares issuable in series, of which 235,988,606 Shares are, at the date of this Agreement, issued and outstanding and no preferred shares are, at the date of this Agreement, issued and outstanding, and such outstanding Shares are validly issued, fully paid and non-assessable, and none of the outstanding common or preferred shares of the Purchaser have been issued in violation of, or subject to, the pre-emptive or similar rights of any securityholder of the Purchaser or of any other person;

(ii) at Closing, the Consideration Shares will be duly and validly authorized and, when issued or delivered in accordance with this Agreement, will be validly issued as fully paid and non-assessable shares of the Purchaser and will not have been issued to Vendor in violation of Applicable Securities Laws, or in violation of or subject to any pre-emptive rights or contractual rights to purchase securities issued by the Purchaser;

(iii) the form and the terms of the certificates for the Shares have been approved and adopted by the Purchaser and comply with all legal and TSX requirements and will not conflict with the Purchaser's by-laws or constating documents;

(iv) neither Purchaser nor, to the knowledge of Purchaser any of its shareholders is a party to any shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Shares of the Purchaser;

(v) other than as contemplated by this Agreement, there is no fee of any nature or any stamp, document or transfer tax regarding the issuance of the Shares pursuant to this Agreement for which Vendor shall be responsible or subject;

(vi) at the date of this Agreement, no person, firm, corporation or other entity holds any securities convertible into or exchangeable for securities of the Purchaser or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of the

Purchaser or for the purchase of any assets of the Purchaser except for options to acquire an aggregate of 18,260,365 Shares held by directors, officers, employees and consultants of the Purchaser issued in accordance with the provisions of the stock option plan of the Purchaser dated effective October 27, 2008, as amended and securities that would be permitted by Subsection (b) of Section 2.11; and

(vii) no approval, authorization, consent or other order of, and no filing, registration or recording with, any Governmental Authority is required of the Purchaser in connection with the execution and delivery of this Agreement or the performance by the Purchaser of its obligations hereunder or with the consummation of the transactions contemplated hereby, including the issuance of the Consideration Shares, other than the *Competition Act* Approval, the TSX Approval and the filing of a "Report of Exempt Distribution" on Form 45-106F1 on SEDAR with the Alberta Securities Commission; and

(n) **Anti-Bribery:** Purchaser has not and its Representatives have not made, offered, or authorized and will not make, offer or authorize any payment, gift, promise or other advantage, in connection with the matters which are the subject to this Agreement, whether directly or indirectly through any other Person, to or for the use or benefit of any Person holding a legislative, administrative or judicial office, including:

(i) any officer, employee, director, principal, consultant, agent or representative, whether appointed or elected, of any government (whether central, federal, state or provincial), ministry, body, department, agency, instrumentality or part of any of them, or any public international organization, or any state or government owned or controlled entity, agency, enterprise, joint venture, or partnership (including a partner or shareholder of such an enterprise); and

(ii) any Public Official, where such payment, gift or promise would violate the Anti-Bribery Laws and Obligations.

In addition, Purchaser represents and warrants:

(iii) with regard to operations and/or activities under this Agreement that Purchaser and its Representatives have complied, and covenants that Purchaser and its Representatives will comply, with Anti-Bribery Laws and Obligations and the related obligations applicable to Purchaser; and

(iv) its payments to Vendor shall not constitute the proceeds of crime in contravention of anti-money laundering laws.

5.4 <u>Survival of Representations and Warranties</u>

The representations and warranties set forth in Sections 5.1 and 5.3 are effective as of the date of this Agreement and shall survive Closing for a period of twelve months thereafter and shall not be merged in any assignments, conveyances, transfers or other documents executed and delivered at or after Closing pursuant to this Agreement, provided that, no claim may be made or enforceable by a Party pursuant to, or based in any way upon, these representations and warranties except as expressly permitted by and in accordance with Article 10.

ARTICLE 6
DOCUMENTS, RECORDS AND CONVEYANCES

6.1 Conveyances and Joint Obligations

(a) Vendor shall prepare the General Conveyance to be executed and delivered by the Parties at Closing.

(b) Vendor shall prepare all Specific Conveyances and the Parties shall use commercially reasonable efforts to ensure such Specific Conveyances are available for execution and delivery at Closing or as soon thereafter as reasonably possible and, in any event, not later than 5 Business Days following Closing. However, all surface rights which cannot be assigned such as those granted under a Master Agreement or surface access agreement that do not allow for assignment to third parties shall be terminated and the Purchaser shall, after Closing, enter into necessary agreements with the applicable Third Party, Governmental Authority, lessor or grantor covering such surface rights. To the extent any Specific Conveyances are not prepared or delivered at Closing, Vendor shall be entitled to retain the Title and Operating Documents, including correspondence, records, books, documents, licences, reports and data relating thereto, until such Specific Conveyances are delivered to Purchaser, but Purchaser may access all of the foregoing at Vendor's offices during business hours for review purposes and to make copies.

(c) After execution and delivery of the Specific Conveyances, with the cooperation of Purchaser, Vendor shall circulate or register all Specific Conveyances that by their nature may be circulated or registered. All costs of registration of the Specific Conveyances, including all transfers of caveats, all Well and Facility licence transfers, assignments of dispositions and any associated security deposits that are required shall be for Purchaser's sole account.

(d) Neither the General Conveyance nor any of the Specific Conveyances shall require Vendor to assume or incur any obligation, or to provide any representation or warranty, beyond those contained in this Agreement, nor shall they entitle Purchaser to impose any obligation upon or to rely on any representation or warranty, express or implied, of Vendor beyond those contained in this Agreement.

(e) Where legal, recorded title or the signatory of any of the Assets is in the name of an Affiliate of the Vendor, the Parties agree that the Specific Conveyances in respect of such Assets may be prepared such that the Assets will be conveyed by such Affiliate of the Vendor to Purchaser.

6.2 Delivery of Files and Records

(a) Subject to completion of Specific Conveyances as provided in Section 6.1, Vendor shall, to the extent they are in Vendor's possession or control, deliver to

Purchaser at Closing or within 15 days thereafter the Title and Operating Documents relating to the Assets and all other files, records and other documents and materials relating to the Assets and included in the Miscellaneous Interests, all in an organized form. Vendor may retain copies of any Title and Operating Documents and any other files, records and other documents included in the Miscellaneous Interests.

(b) Notwithstanding anything contained herein, with respect to the Title and Operating Documents and all other files, records and other documents included in the Miscellaneous Interests, for a period of two years after the Closing Time, Purchaser shall give Vendor reasonable access to all such materials (including permitting the copying thereof where appropriate) acquired from Vendor to the extent Vendor requires the same for audits, claims by Third Parties or other legitimate business purpose, provided that, this subclause (b) shall not apply in the circumstance of any dispute between Vendor and Purchaser in respect of this Agreement or the Assets, and will make its personnel reasonably available for the purpose of providing Vendor, upon Vendor's reasonable request, with assistance in locating information from such records, providing appropriate verifications of documents and information, developing information, reports, submissions and the like relating to Vendor's operation of the Assets prior to the Closing Time, or otherwise providing reasonable assistance which the Parties mutually deem appropriate, provided that any requests by Vendor shall be at the sole cost and expense of Vendor.

(c) For a period of four years after the Closing Time, Vendor shall retain and shall give Purchaser reasonable access to all records (including permitting the copying thereof where appropriate) that are required in connection with a Crown royalty audit respecting the Assets, or any portion thereof, and will make its personnel reasonably available for the purpose of providing Purchaser, upon Purchaser's reasonable request, with assistance in locating information from such records, if and to the extent required in connection with any such Crown royalty audit, provided that any requests by Purchaser shall be at the sole cost and expense of Purchaser. All such records made available to Purchaser pursuant to this Section 6.2(c) shall be maintained as confidential and shall not be disclosed except as required in connection with the Crown royalty audit.

6.3 <u>Licence Transfers</u>

(a) Promptly following execution of this Agreement, Purchaser shall calculate the change to its Liability Management Rating following the transfer of the Assets. Purchaser will calculate the applicable deposits which the relevant Governmental Authority will require in order for the relevant Governmental Authority to approve the transfer by Vendor to Purchaser of licences for the Wells and Tangibles licensed to Vendor, if any, and shall advise Vendor no later than 10 days before the Closing Time in writing of any such required deposits. If Purchaser’s calculation indicates that a deposit is required, Purchaser shall, as soon as reasonably practicable and in any event prior to the Closing Time, deposit with its solicitors sufficient funds to satisfy the estimated deposit requirements and shall have unconditionally directed its solicitors in writing to remit such funds to the relevant Governmental Authority upon Closing. If, following the Closing Time, the relevant Governmental Authority determines that the deposit required in order to approve the transfer by Vendor to Purchaser of any licenses for the Wells and Tangibles licensed to Vendor is greater than the estimated deposit, Purchaser shall immediately pay such additional deposit to the relevant Governmental Authority. Purchaser further covenants to comply with all conditions imposed by the relevant Governmental Authority in respect of such transfers.

(b) Within ten Business Days following Closing, Vendor shall prepare and submit an application to the relevant Governmental Authority for the transfer of the Wells and Tangibles held in the name of Vendor, and Purchaser shall ratify and sign such application.

(c) Should the relevant Governmental Authority deny any licence transfer because of misdescription or other minor deficiencies in the application, Vendor shall, within ten Business Days, correct the application and amend and re-submit an application for the licence transfers and Purchaser shall ratify and sign such application.

(d) After Closing, if for any reason the relevant Governmental Authority requires Purchaser to make a further deposit in order to approve the licence transfer, Purchaser shall and covenants to immediately make such deposit.

(e) If Purchaser fails to make any deposit it is required to make pursuant to this Section 6.3 within ten days of Purchaser's receipt of notification from the relevant Governmental Authority that such deposit is required, Vendor shall have the right, but not the obligation, to make such deposit on Purchaser's behalf. In such event, Purchaser shall reimburse Vendor for the amount of such deposit plus interest thereon at the Prime Rate plus two percent from the date Vendor paid the deposit until such reimbursement is made. In addition to all other rights to enforce such reimbursement otherwise available to Vendor it shall have the right to set-off the amount of such reimbursement (including interest) against other monies due to Purchaser.

(f) Purchaser hereby appoints Vendor as its agent with regard to the payment referred to in Section 6.3(e), it being agreed however that Vendor shall not have any obligation to make such security deposits on behalf of Purchaser.

(g) If:

    (i) Purchaser fails to make a deposit that it is required to make under this Section 6.3 within ten Business Days of Purchaser’s receipt of notification from a Governmental Authority that such deposit is required, and in the event that Vendor elects not to make such security deposits on behalf of Purchaser pursuant to the terms and conditions of Sections 6.3(e) and 6.3(f); or

    (ii) any Governmental Authority refuses, for any reason attributable to Purchaser, to register Purchaser as licensee of the Wells and Tangibles,

then Vendor may, on written notice to Purchaser, elect to terminate this Agreement and elect for the re-conveyance of the Assets, in which case the obligations of the Parties hereunder shall be terminated, the Assets shall be reconveyed to Vendor and the Purchase Price, minus the Deposit, shall be repaid (without interest) to Purchaser; provided, however, Vendor must provide such written notice indicating it has elected to terminate this Agreement and have the Assets re-conveyed on or before the end of day that is 3 months after the receipt of such notification or refusal of registration from a Governmental Authority.

(h) The Parties agree to do all such further acts and to prepare and execute all further documents as are reasonably required from time to time for the purpose of giving effect to Sections 6.3(g).

6.4 As-Built Documentation – Facilities in British Columbia

Notwithstanding the other provisions of this Agreement, the Parties acknowledge that the transfer to Purchaser after Closing of operating licences for Wells, pipelines and Facilities included in the Assets that are operated by Vendor in British Columbia (herein called individually a "**B.C. Facility**" or collectively the "**B.C. Facilities**") may take a lengthy time for the BCOGC to process and that such transfers may require that “as-built” documentation of the respective B.C. Facilities be provided to the BCOGC. Prior to Closing, Vendor will submit all required “as-built” documentation required for the B.C. Facilities and shall use commercially reasonable efforts to advise Purchaser prior to the Closing Time as to which B.C. Facilities, if any, do not have approvals for the completed “as-built” documentation filed with the BCOGC. Accordingly, the Parties agree to the following regarding the B.C. Facilities following the Closing Time:

(a) the Parties will work together in good faith to execute and submit the applications for the licence transfers for B.C. Facilities on a diligent basis and take any lawful action to encourage the diligent processing by the BCOGC of such applications;

(b) if any further as-built documentation is required or if any as-built documentation submitted to the BCOGC has to be revised, Vendor will use commercially reasonable efforts to pursue the submission of any additional as-built documentation required in connection with the transfer of the licences for the B.C. Facilities and Vendor will provide any access or similar non-financial assistance that Purchaser may require for such purpose. Vendor shall keep Purchaser informed of the status of such documentation on a timely and reasonable basis, including by providing Purchaser with copies of the filing of any such documentation and any material correspondence between Vendor and the BCOGC in respect thereof;

(c) from the Closing Time until the first day of the month following the month in which the BCOGC approves the transfer of the licence for any B.C. Facility to Purchaser, such B.C. Facility shall be operated by Purchaser notwithstanding that Vendor holds the operating licence to such B.C. Facility, it being hereby further agreed that each B.C. Facility licence may be separately transferred as soon as possible and that the operation of that B.C. Facility shall be for the account of Purchaser notwithstanding that Vendor remains the licenced operator for that B.C. Facility; and

(d) for greater certainty, the provisions of Section 7.3 shall apply to the subject matter of this Section 6.4.

6.5 Alberta Pipeline Transfers

Prior to Closing, Vendor shall make the Pipeline Records available to Purchaser for Purchaser's review and assessment. In the event that either Purchaser or Vendor are of the opinion, acting reasonably, that any of the Pipeline Records are deficient such that they do not comply with the requirements of the *Pipeline Rules* (Alberta) and *CSA Z662, Oil and Gas Pipeline Systems* to an extent that the Parties are unable to make such declarations as are required to comply with the AER's certification requirements for transfer of pipeline licenses, the Parties shall meet to determine such steps as may be reasonably required to rectify such deficiencies. Vendor shall be responsible for the rectification of the identified deficiencies and shall use commercially reasonable efforts to do so prior to Closing. Vendor shall deliver to Purchaser at or prior to the Closing Time all available Pipeline Records. To the extent that Vendor has done so, the Parties shall make such declarations as are required to comply with the AER's certification requirements for transfer of pipeline licenses. In the event that Vendor has not completed the rectification of any deficient Pipeline Records prior to Closing:

(a) to the extent Vendor has not already done so, Vendor shall deliver to Purchaser any related Pipeline Records, to which Vendor shall have the right to retain a copy of and shall have reasonable access to during Purchaser's normal business hours, for the purposes of rectifying any Pipeline Records in accordance with this Section 6.5; and

(b) as soon as reasonably practical following Closing, the parties shall use commercially reasonable efforts to mutually develop a plan to rectify the deficient Pipeline Records and correct, repair, find or complete any such Pipeline Records, but for greater certainty the Parties shall use commercially reasonable efforts to rectify such Pipeline Records no later than 12 months following Closing, and all Third Party costs related thereto, including the cost of engineering assessments, shall be for the sole account of the Purchaser.

Until such time as the rectification of the subject Pipeline Records is complete, at which time the relevant permit shall be transferred to Purchaser, the pipeline license in respect of the subject pipeline to which the deficient Pipeline Records relate shall be held by Vendor on behalf of Purchaser in accordance with and subject to the provisions of Section 7.3.

6.6 Proprietary Seismic Data

The Assets that will be acquired by Purchaser include an interest in the Proprietary Seismic Data. Purchaser will grant Vendor a license to use the Proprietary Seismic Data and, accordingly, Vendor and Purchaser will execute and deliver the Seismic Licence Agreement at Closing.

ARTICLE 7
INTERIM OPERATIONS AND POST-CLOSING TRANSITION

7.1 Maintenance of the Assets

(a) Until the earlier of the Closing Time or the termination of this Agreement, to the extent that the nature of its interest permits and subject to the Title and Operating

Documents, Vendor shall maintain the Assets in a proper and prudent manner in accordance with good oil and gas industry practices and in material compliance with Applicable Law.

(b) Purchaser acknowledges and agrees that (a) no insurance policies arranged for the benefit of or provided to Vendor or its Affiliates, including all policies of insurance relating to the Assets in force as of the date of this Agreement (the "**Current Insurance Policies**"), shall continue after the Closing Time and (b) Purchaser shall not make any claims under the Current Insurance Policies or any other similar insurance policies or insurance coverage in respect of facts, events or circumstances arising prior to the Closing Time. Purchaser further hereby acknowledges and agrees that no historic insurance coverage provided by or to Vendor or its Affiliates, including the Current Insurance Policies, shall be available to Purchaser after the Closing Time. Purchaser further acknowledges and agrees that it has no right, title or interest in any unearned premiums on any policies maintained by or for the benefit of Vendor or its Affiliates.

(c) Purchaser acknowledges and agrees that (a) no surety bonds or other bonds in place for the benefit of or provided to or by Vendor or its Affiliates shall continue after Closing Time and (b) Purchaser shall not make any claims under any such bonds in respect of facts, events or circumstances arising prior to the Closing Time. Purchaser further hereby acknowledges and agrees that no surety bond or other bond coverage provided by or to Vendor or its Affiliates shall be available to Purchaser following Closing Time. Purchaser further acknowledges and agrees that it has no right, title or interest in any claims or amounts due under any bond any maintained by or for the benefit of Vendor or its Affiliates.

7.2 <u>Consent Required</u>

Vendor shall not, until the earlier of the Closing Time or the termination of this Agreement, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned by Purchaser:

(a) enter into any obligations or commitments, other than operating costs incurred in the ordinary course of business, with respect to the Assets that exceed **[REDACTED – Dollar Amount]** for any single item or related series of items, except if reasonably necessary for protection of life, health, the environment or property or if required under Applicable Law;

(b) sell, transfer, surrender, abandon, dispose of, mortgage or otherwise encumber any of the Assets, excepting sales of Petroleum Substances produced from the Lands in the ordinary course of business; or

(c) amend or terminate any Title and Operating Documents or enter into any new agreement or commitment relating to the Assets.

7.3 <u>Post-Closing Transition</u>

Following Closing and to the extent that Purchaser must be recognized by Third Parties under the Title and Operating Documents or otherwise recognized as the owner of any of the Assets, the following will apply to those Assets until that recognition has been effected:

(a) the provisions of Section 7.2 will continue to apply, *mutatis mutandis*;

(b) Vendor shall hold title to such Assets as bare trustee, for Purchaser, represent Purchaser and receive and hold, as bare trustee and agent of Purchaser, all proceeds, benefits and advantages accruing in respect of such Assets for the benefit, use and ownership of Purchaser;

(c) Vendor will forthwith provide to Purchaser all notices, specific information, communications, invoices, billings, and other documents Vendor receives respecting the Assets, and will respond to such notices, information and other documents pursuant to the written instruction of Purchaser, if received on a timely basis, provided that Vendor may refuse to follow instructions that it believes, acting reasonably and in good faith, to be unlawful or in breach of the provisions of a Title and Operating Document or Vendor's policy on business conduct and ethics, by providing notice to that effect to Purchaser in a timely manner;

(d) pursuant to the notice provisions of this Agreement, Vendor will deliver to Purchaser, on a monthly basis, in a manner consistent with Vendor's internal accounting processes, all revenues, proceeds and other benefits received by Vendor respecting the Assets after the Effective Time, together with all relevant statements of operating expenses, less the share of the applicable lessor royalties, operating costs, treating, gathering, processing and product transportation expenses and those other costs and expenses directly relating to the Assets and the production of Petroleum Substances. Vendor shall be entitled to retain such funds as required to satisfy any amounts owing or payable hereunder or, after consultation with Purchaser, to satisfy any amounts owing to Third Parties by Purchaser under the Title and Operating Documents and Vendor shall forthwith remit such funds to those Third Parties. Any net amount owing to Vendor under this Section 7.3(d) will be paid by Purchaser within 30 days of Vendor's invoice therefor;

(e) Vendor, as agent of Purchaser, will deliver to Third Parties all such agreements, notices and other documents as Purchaser may reasonably request, to effect Purchaser's ownership of the Assets, and all money or other items provided in respect thereof; and

(f) Without limiting the generality of the foregoing, unless otherwise directed by Purchaser:

    (i) Vendor shall pay or cause to be paid on behalf of Purchaser, all rentals and shut-in royalty payments for Crown and freehold mineral and surface leases which are due and payable on or before December 31, 2016, with the Purchaser and Vendor making adjustments therefore pursuant to Article 8 hereof;

    (ii) **[REDACTED – Certain ancillary commercial arrangements]**; and

(iii) Vendor will be responsible for production accounting for the production month in which Closing occurs. Purchaser shall be responsible for production accounting after such date.

Notwithstanding Vendor's obligations pursuant to this Section 7.3, the Parties agree that to the extent possible, both Parties shall cooperate to ensure that third parties invoice, bill, notify, are directed and receive payment directly from Purchaser immediately after the Closing Time.

7.4 <u>Vendor as Agent of Purchaser and Ratification of Actions</u>

Provided Closing occurs and insofar as Vendor maintains the Assets and takes actions on behalf of Purchaser in compliance with Vendor's obligations under Sections 7.1, 7.2 and 7.3 or provides services under Section 7.3:

(a) in respect of actions under Sections 7.1, 7.2 and 7.3, Vendor will be deemed to have been the agent of Purchaser hereunder and Purchaser hereby ratifies all actions taken, or refrained from being taken, by Vendor under this Article in that capacity, with the intention that all of those actions will be deemed to be those of Purchaser, except to the extent that Vendor's or its Representative's actions under this Article constitute gross negligence or wilful misconduct; and

(b) Purchaser will be liable to and, in addition, indemnify Vendor and its Representatives against all of their Losses as a result of maintaining the Assets or exercising other rights as Purchaser's agent under this Article or providing services under Section 7.3, insofar as those Losses are not a direct result of the gross negligence or wilful misconduct of Vendor or its Representatives,

provided; however, that for the purposes of this Article 7, an act or omission will not be regarded as gross negligence or wilful misconduct to the extent that it was done or omitted to be done in accordance with Purchaser's instructions or concurrence.

7.5 [REDACTED – Certain ancillary commercial arrangements]

7.6 [REDACTED – Certain ancillary commercial arrangements]

7.7 [REDACTED – Certain ancillary commercial arrangements]

ARTICLE 8
APPORTIONMENTS

8.1 <u>Apportionments</u>

Except as otherwise provided in this Agreement, provided that Closing has occurred and as specifically set out below in this Article 8:

(a) Vendor is entitled to all revenues and benefits from the ownership and operation of the Assets incurred or accrued prior to the Effective Time and Vendor is responsible, and will pay for, all expenditures and obligations pertaining to the ownership, operation and development of the Assets incurred or accrued prior to the Effective Time, including all rentals, property taxes, maintenance, development, capital and operating costs and the proceeds from the sale of production. Purchaser is entitled to all revenues and benefits from the ownership and operation of the Assets incurred or accrued from and after the Effective Time and Purchaser is responsible, and will pay for, all expenditures and obligations pertaining to the ownership, operation and development of the Assets incurred or accrued from and after the Effective Time, including all rentals, property taxes, maintenance, development, capital and operating costs and the proceeds from the sale of production. All revenues, benefits, expenditures and obligations pertaining to the ownership, operation and development of the Assets shall be apportioned between the Parties, on an accrual basis, as of the Effective Time on the foregoing basis in accordance with International Financial Reporting Standards, provided that:

(i) the net income or loss (gross revenue less operating costs, and other direct costs) that accrues in respect of the Assets from the Effective Time to the Closing Time will be reported as income or loss for income tax purposes by Vendor. No apportionment shall be made on account of any taxes calculated by reference to or assessed based on income, net revenue or capital that are payable by Vendor or Purchaser;

(ii) all overhead recoveries, operator's fees and similar amounts provided for in the Title and Operating Documents and received or receivable by Vendor as operator of any Assets and relating to the period up to Closing shall be for Vendor's benefit and account, with such amounts received or receivable in respect of the month in which Closing occurs apportioned between Vendor and Purchaser on a per diem basis as of the Closing Date. There shall be no apportionment in respect of Vendor's general and administrative expense or overhead in respect of the Assets incurred between the Effective Time and the Closing Time;

(iii) although Petroleum Substances produced as of and after the Effective Time are not part of the Assets, the proceeds (net of royalties and operating expenses) received on account of Petroleum Substances that were produced and sold as of and after the Effective Time shall be a credit to the account of Purchaser by apportionment; however, Purchaser and Vendor shall use commercially reasonable efforts to have Purchaser assume direct responsibility for royalties, as soon as is practicable after the Closing, effective as of the Effective Time or as soon as legally possible afterwards, including by preparation and submission of an appropriate BC12 – *Reporting Interest Statement* and a RMF2 – *Reassignment of Volumes Setup/Change* to the respective provincial authorities;

(iv) for certainty, all Petroleum Substances that have been produced from the Assets but not sold as of the Closing Time and are contained within the Tangibles as of the Closing Time, regardless of whether such Petroleum

Substances were produced prior to, on or after the Effective Time, shall be deemed to be included in the Assets, and there shall be no apportionment in respect thereof;

(v) all costs relating to any work performed or goods and services provided in respect of the Assets will be deemed to have accrued as of the date the work was performed or the goods or services were provided, regardless of the time at which those costs became payable;

(vi) advances, cash calls and deposits after the Effective Time in respect of operations respecting the Assets for which costs and expenses relating to such advances have not been accrued or incurred as of the Closing Time that are:

1. made by Vendor under the Title and Operating Documents or the Applicable Laws will be adjusted as a credit to Vendor, and any such remaining advances, cash calls and deposits will be transferred to, and be for the benefit of the Purchaser; or

2. received by the Vendor from Third Parties, will be handled as required under the applicable Title and Operating Documents and any such advances, cash calls and deposits will be transferred to Purchaser as trustee on behalf of the applicable Third Parties pursuant to such Title and Operating Documents; and

(vii) all rentals and similar payments, property taxes (including, if applicable, freehold mineral taxes) and other periodic costs that relate to the Assets shall be apportioned between the period before the Effective Time and the period after the Effective Time on a *per diem* basis.

8.2 <u>Interim and Final Accounting</u>

(a) An interim accounting of all apportionments required under this Article shall be carried out by the Parties for Closing based upon the actual cash receipt of revenues attributable to the Assets and Vendor's good faith estimates of all other apportionments (based upon information then available). The net apportionment pursuant to this Article based upon such accounting shall be paid at Closing as an adjustment to the Purchase Price. A statement setting out the above interim accounting in the form of Schedule "E" shall be delivered by Vendor to Purchaser no later than five Business Days prior to Closing. Vendor shall assist Purchaser in verifying the amounts set forth in such interim statements of adjustments.

(b) A final accounting of all apportionments pursuant to this Article shall be carried out within six months following the Closing Time. Parties shall cooperate to avoid split month accounting for revenue. Purchaser shall pay to Vendor, or Vendor shall pay to Purchaser, as the case may be, the net cash amount owing in respect of the apportionments as specified in the final accounting within 30 days of completion of the accounting, without prejudice to Purchaser's rights to audit pursuant to Section 8.3. All overdue payments hereunder shall be payable with interest calculated at the Prime Rate.

(c) After delivery of the final statement of adjustments, no adjustments shall be made under Section 8.1, including corrections to previously made adjustments, except:

(i) in connection with a Thirteenth Month Adjustment, but only if a claim in respect of such Thirteenth Month Adjustment is made by one Party to the other Party within two years after Closing. If such notice is not given within such period, no adjustment in this regard shall be made;

(ii) as a consequence of an audit relating to the Assets that was conducted by a Third Party (other than a Governmental Authority) having rights to do so pursuant to the Title and Operating Documents, but only if a claim in respect of such an audit is made by one Party to the other Party within two years after Closing. If such notice is not given within such period, no adjustment in this regard shall be made; or

(iii) an audit initiated by a Governmental Authority, but only if a claim in respect of such an audit is made by one Party to the other Party within four years after Closing. If such notice is not given within such period, no adjustment in this regard shall be made.

8.3 Audit Rights for Apportionments

During the two month period following receipt of the final accounting statement from Vendor, Purchaser may audit the books, records and accounts of Vendor respecting the Assets for the purpose of ascertaining, verifying or effecting adjustments pursuant to this Article. Such audit must be completed within such two month period, must be conducted upon reasonable notice to Vendor at its offices during normal business hours with a minimum of interruption to the normal business activities of Vendor, and must be conducted at the sole expense of Purchaser using such number of Purchaser's auditors as agreed upon between the Parties. Any discrepancies disclosed by such audit having at least a **[REDACTED – Dollar Amount]** impact shall be identified in writing to Vendor within one month following the completion of such audit, and Vendor shall respond in writing to any claims or discrepancies within one month of the receipt of such claims. To the extent that the Parties are unable to resolve any outstanding claims or discrepancies disclosed by such audit within one month of the response of Vendor, such dispute will be referred to **[REDACTED – Name Of Accounting Firm]** (or if **[REDACTED – Name Of Accounting Firm]** is unable or unwilling to act, to another 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 the Parties. If the Parties cannot agree on the firm of chartered accountants which will make such determination, then such firm shall be selected by Vendor, in good faith, provided that such firm may not be Vendor's auditors. The costs and expenses of the accounting firm will be borne by the unsuccessful Party to any dispute referred to expert determination pursuant to this Section 8.3, provided that if the expert determination involves more than one matter and neither Party is successful on all matters subject to expert determination, the costs and expenses of the accounting firm will be borne as determined by the accounting firm.

8.4 General

(a) Sales Taxes shall be payable with respect to apportionments where required by Applicable Law and paid accordingly by the applicable Party.

(b) The Parties confirm Vendor shall claim all revenue and expenses relating to the Assets prior to the Closing Time and shall be responsible for any income taxes relating thereto. Nothing contained in this Article shall impose any liability on any Party for the income tax liability of the other Party.

(c) With respect to the sale of the Assets, if the Purchase Price is adjusted pursuant to Sections 8.1, 8.2 or 8.3, such adjustment shall be allocated solely to the Petroleum and Natural Gas Rights.

ARTICLE 9
CLOSING

9.1 Vendor's Closing Conditions

The obligation of Vendor to close the Transaction is subject to the following conditions that are inserted herein and made part hereof for the exclusive benefit of Vendor:

(a) the representations and warranties of Purchaser contained in this Agreement shall be true in all material respects when made and as of the Closing Time except where the representation and warranty in question is already qualified by materiality in which case such representation and warranty shall be true and correct, and Purchaser's Closing Certificate shall have been delivered to Vendor;

(b) all amounts to be paid by Purchaser at Closing shall have been paid to Vendor or other stipulated party in the form stipulated in this Agreement;

(c) all obligations of Purchaser contained in this Agreement to be performed or satisfied prior to or at Closing shall have been timely performed and satisfied in all material respects;

(d) if the Purchaser estimates that a deposit will be required by the relevant Governmental Authority for the approval of any license transfers hereunder, Purchaser shall have provided Vendor with evidence that it has deposited the amount required with its solicitors with a direction to pay pursuant to Section 6.3(a);

(e) the Regulatory Approvals Condition shall have been satisfied; and

(f) the Outside Time shall have not occurred.

The conditions contained in this Section shall be for the sole and exclusive benefit of Vendor and may, without prejudice to any of the rights of Vendor contained in this Agreement (including reliance on or enforcement of the representations, warranties or covenants which are preserved dealing with or similar to the condition or conditions waived), be waived by Vendor in writing, in whole or in part, at any time. If any one of the foregoing conditions is not satisfied or waived by Vendor, at or before the Closing

Time, Vendor may, in addition to any other remedies which it may have available to it, rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, the Parties shall be released and discharged from all further obligations hereunder, except with respect to those rights and obligations arising pursuant to Section 2.8(b), Article 11 and Section 13.1, and liability for a breach of an obligation under Section 9.3.

9.2 Purchaser's Closing Conditions

The obligation of Purchaser to close the Transaction is subject to the following conditions that are inserted herein and made a part hereof for the exclusive benefit of Purchaser:

(a) the representations and warranties of Vendor contained in this Agreement shall be true in all material respects when made and as of the Closing Time except where the representation and warranty in question is already qualified by materiality in which case such representation and warranty shall be true and correct, and Vendor's Closing Certificate shall have been delivered to Purchaser;

(b) all obligations of Vendor contained in this Agreement to be performed and satisfied prior to or at Closing shall have been timely performed and satisfied in all material respects;

(c) prior to the Closing Time, any and all Rights of First Refusal shall have been exercised or waived by the holders thereof or all time periods within which such rights may be exercised shall have expired;

(d) the Regulatory Approvals Condition shall have been satisfied; and

(c) Vendor shall have delivered to Purchaser at or prior to Closing either registerable discharges or no interest letters (in a form satisfactory to Purchaser, acting reasonably) for all Security Interests encumbering the Assets which are requested by Purchaser a reasonable time prior to Closing.

The conditions contained in this Section shall be for the sole and exclusive benefit of Purchaser and may, without prejudice to any of the rights of Purchaser contained in this Agreement (including reliance on or enforcement of the representations, warranties or covenants which are preserved dealing with or similar to the condition or conditions waived), be waived by Purchaser in writing, in whole or in part, at any time. If any one of the foregoing conditions is not satisfied or waived by Purchaser, at or before the Closing Time, Purchaser may, in addition to any other remedies which it may have available to it, rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, the Parties shall be released and discharged from all further obligations hereunder, except with respect to those rights and obligations arising pursuant to Section 2.8(b), Article 11 and Section 13.1, and liability for a breach of an obligation under Section 9.3.

9.3 Efforts to Fulfill Conditions to Closing

The Parties shall proceed diligently and use commercially reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the conditions to Closing.

ARTICLE 10
INDEMNITIES

10.1 General Indemnity

Subject to Sections 5.2, 7.4, 10.2 and 10.3 and provided that Closing has occurred:

(a) Vendor:

(i) shall be liable to Purchaser for Purchaser's Losses; and

(ii) as a separate covenant shall indemnify and save Purchaser and its Representatives harmless from and against all Losses which they suffer, sustain, pay or incur;

as a direct result of:

(iii) any breach of a representation, warranty or covenant of Vendor contained herein; provided, however, that nothing in this Section 10.1(a) shall be construed so as to cause Vendor to be liable to Purchaser or to indemnify Purchaser or its Representatives in connection with any: (A) breach of any such representation, warranty or covenant if and to the extent that Purchaser or its Representatives had express knowledge thereof prior to the Closing Time; or (B) Losses suffered by Purchaser as a result of any Misrepresentation regarding the Assets or the Transaction in any Purchaser Disclosure Document unless such Misrepresentation is caused by the gross negligence, fraud or wilful misconduct of the Vendor;

except any Losses insofar as they are caused by a breach of Purchaser's representations, warranties or covenants contained herein or by the gross negligence, fraud or wilful misconduct of either Purchaser or any of its Representatives.

(b) Purchaser:

(i) shall be liable to Vendor for Vendor's Losses; and

(ii) as a separate covenant shall indemnify and save Vendor and its Representatives harmless from and against all Losses that which they suffer, sustain, pay or incur;

as a direct result of:

(iii) any breach of a representation, warranty or covenant of Purchaser contained herein; provided, however, that nothing in this Section 10.1(b) shall be construed so as to cause Purchaser to be liable to Vendor or to indemnify Vendor or its Representatives in connection with any breach of such representation, warranty or covenant if and to the extent that Vendor or its Representatives had express knowledge thereof prior to the Closing Time; and

(iv) any Losses, costs, expenses and liabilities related to the Assets and arising or accruing from and after the Effective Time;

except any Losses insofar as they are caused by a breach of Vendor's representations, warranties or covenants contained herein, or by the gross negligence, fraud or wilful misconduct of either Vendor or its Representatives.

10.2 <u>Environmental Indemnity</u>

Purchaser acknowledges that it:

(a) is familiar with the condition of the Assets, including the past and present use of the Assets;

(b) has been provided with the right and the opportunity to conduct due diligence investigations with respect to existing or potential Environmental Liabilities pertaining to the Assets; and

(c) is not relying upon any representation or warranty of Vendor as to the condition, environmental or otherwise, of the Assets, except for the environmental representation and warranty specifically made by Vendor pursuant to Section 5.1(j).

Notwithstanding the provisions of Section 10.1(a), Purchaser agrees that once Closing has occurred, Vendor shall have no liability whatsoever for any Environmental Liabilities except, subject to the limitations set out in Section 10.3, to the extent related to a breach of the environmental representation and warranty specifically made by Vendor in Section 5.1(j). In this regard, once Closing has occurred, Purchaser:

(d) shall be solely liable and responsible for all Vendor's Losses; and

(e) as a separate covenant shall indemnify and save Vendor and its Representatives harmless from and against all claims brought against them and all Losses which they suffer, sustain, pay or incur,

in any way related to any Environmental Liabilities, however and whenever arising or accruing, and Purchaser shall assume, perform, pay and discharge all Environmental Liabilities. This liability and indemnity shall apply without limit and without regard to cause or causes, including the negligence or the wilful misconduct of either Vendor or Purchaser or any other Person or otherwise. Purchaser acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives under Applicable Law pertaining to any Environmental Liabilities, including the right to name Vendor or its Representatives as a 'third party' to any action commenced by any Person against Purchaser.

Nothing herein contained shall prejudice any claims or remedies that Vendor may have against Purchaser in relation to such claim or remedy outside this contract, including rights and remedies under Applicable Law. Notwithstanding the foregoing, but subject to the limitations set out in Section 10.3, the liability of and indemnity provided by Purchaser in this Section 10.2 shall not apply to the extent related to a breach of the environmental representation and warranty specifically made by Vendor in Section 5.1(j).

For greater certainty, and without any limitation to the liability assumptions, indemnities or other provisions of this Section 10.2, Purchaser agrees that:

(i) Purchaser shall pay any and all costs that are required by Applicable Laws related to the Reclamation Wells; and

(ii) Purchaser shall commence or take over and complete any and all work required by Applicable Law to be conducted on the Reclamation Wells in place of Vendor. All operations and activities to be conducted on the Reclamation Wells pursuant hereto shall be performed by Purchaser in accordance with Applicable Laws, good industry practice in Alberta and following the standard of care which would be followed by a prudent operator.

10.3 <u>Limitation of Claims</u>

(a) Notwithstanding anything else contained in this Agreement, in the absence of fraud:

(i) no claim shall be made, or otherwise be enforceable, by Purchaser against Vendor in respect of:

(A) the representations and warranties of Vendor set forth in Section 5.1;

(B) an indemnity or claim in respect of such representations and warranties pursuant to paragraph 10.1(a)(iii); or

(C) Vendor's interim operation of the Assets pursuant to Section 7.1; and

(ii) no claim shall be made, or otherwise be enforceable, by Vendor against Purchaser in respect of:

(A) the representations and warranties of Purchaser contained in this Agreement; or

(B) an indemnity or claim in respect of such representations and warranties pursuant to paragraph 10.1(b)(iii);

unless notice of such claim, including reasonably detailed particulars thereof, is given by the claimant to the other Party within the period of **[REDACTED – Time Period]** from the Closing Time. The Party from whom indemnification is sought shall have the sole right to conduct, settle or otherwise dispose of any legal action advanced by a Third Party and in respect of which indemnification is sought without the consent of the Party seeking indemnification. The indemnifying Party will consult with the other Party, which will be entitled to retain its own counsel and participate in the litigation at its own expense.

(b) In addition to the foregoing, the Parties expressly acknowledge and agree that:

(i) nothing contained in this Agreement shall impose any liability on a Party for another Party's or its Representatives' income tax liabilities;

(ii) other than pursuant to Section 10.2, which for greater certainty is not impacted by this Section 10.3(b)(ii), nothing contained in this Agreement shall impose any liability on a Party for another Party's or its Representatives' any loss of profit or economic loss, or special or punitive damages;

(iii) except for the limited representation and warranty in Section 5.1(f), none of the representations and warranties made by Vendor in Section 5.1 is a representation or warranty regarding Vendor's title to any of the Assets and, except for liabilities in respect of the representation and warranty in Section 5.1(f), Vendor shall have no liability under this Agreement in respect of title or any title defects; and

(iv) the liabilities and indemnities prescribed by Section 10.1 do not provide an extension of any representation or warranty of either Vendor or Purchaser contained in Sections 5.1 or 5.3.

(c) Vendor shall have no liability for, and Purchaser shall not be entitled to, any claim for liability or indemnity for Losses hereunder unless and until the aggregate amount of all such Losses exceeds an amount equal to **[REDACTED – Threshold]**, and at such time Vendor's liability shall be limited to only the amount of such losses which exceed **[REDACTED – Threshold]**.

(d) Notwithstanding anything contained herein, in no event shall the total liabilities and indemnities of Vendor in this Agreement (including any Losses relating to its representations and warranties in Section 5.1, any Losses relating to a breach of a covenant or obligation herein and any claims for liability and indemnity under Section 10.1) exceed **[REDACTED – Threshold]**.

(e) The Parties expressly acknowledge and agree that an obligation under this Agreement to provide written notice of a claim and in the manner specified under this Agreement and the limit on Vendor's liability set out in Sections 10.3(c) and (d), 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).

(f) The provisions of this Article 10 shall survive Closing for the benefit of each of the Parties.

ARTICLE 11
PRIVACY OBLIGATION

11.1 Privacy Covenant

(a) Each Party shall comply with Privacy Law in the course of collecting, using, and disclosing Transaction Personal Information. Purchaser shall collect Transaction Personal Information prior to Closing only for purposes related to the Transaction and as is necessary to determine whether to proceed with the Transaction in connection with its investigations of the Assets, Vendor and, if either Party does not elect to terminate this Agreement as provided herein, for the completion of the Transaction.

(b) During the Interim Period, Purchaser shall not disclose Transaction Personal Information to any Person other than to its Representatives who are evaluating and advising on the Transaction. If Purchaser proceeds with the Transaction, Purchaser shall not, following the Closing, without the consent of the individuals to whom such Personal Information relates or as permitted or required by Applicable Law, use or disclose Transaction Personal Information:

(i) for purposes other than those for which such Transaction Personal Information was collected, used or disclosed by Vendor prior to the Closing; and

(ii) which does not relate directly to the carrying on of the business related to the Assets or to the carrying out of the objects of the Transaction.

(c) Purchaser shall protect and safeguard the Transaction Personal Informational against unauthorized collection, use or disclosure, as provided by Privacy Law. Purchaser shall cause its Representatives to observe the terms of this Section and to protect and safeguard Transaction Personal Information in their possession.

(d) If Vendor or Purchaser terminates this Agreement as provided, Purchaser shall promptly deliver to Vendor all Transaction Personal Information in its possession or in the possession of any of its Representatives, including all copies, reproductions, summaries or extracts thereof.

ARTICLE 12
DISPUTE RESOLUTION

12.1 Unresolved Disputes

Other than any and all matters governed by expert determination pursuant to Article 8, specified in this Agreement to be referred to arbitration or as required by Applicable Law, all unresolved disputes relating to this Agreement shall be first referred by a Party to its senior management, and then notice in writing detailing such dispute shall be sent to the other Party pursuant to the notice provisions of this Agreement. The recipient Party shall provide a copy of such written notice to its senior management promptly upon receipt. The Parties shall make good faith efforts to settle such unresolved disputes for a period of 15 calendar days after receipt or deemed receipt of such notice. Each Party, acting reasonably, shall be afforded an opportunity to present all relevant information regarding its position to the senior management representatives of the other Party within such 15 calendar day period. If the Parties have not resolved their disputes after such 15 calendar day period, they shall be entitled to resolve such disputes pursuant to Section 13.5 without further or additional discussion.

12.2 Arbitration

If a dispute arises between the Parties as to matters specified in this Agreement to be referred to arbitration, the Parties shall select arbitrators within ten Business Days of the date the matter is referred to arbitration.

The Parties shall select a panel of three arbitrators each of whom shall have expertise in one or more of the matters at issue. If the Parties cannot reasonably agree on the appointment of an arbitrator or arbitrators, the Parties shall each appoint an umpire who shall appoint an arbitrator or arbitrators, as applicable. If the umpires are unable to agree on an arbitrator or arbitrators, as applicable, within five Business Days after their appointment or if one of the Parties fails to cooperate in good faith to expeditiously appoint an arbitrator, arbitrators or an umpire, as the case may be, pursuant to the provisions of this Article 12, either Party may apply to a judge of the Court of Queen's Bench of Alberta for the appointment of an arbitrator or arbitrators, as applicable.

12.3 Proceedings

The following proceedings shall apply in respect of any arbitration hereunder:

(a) the arbitrators shall be instructed to render a decision not later than ten Business Days after his, her or their appointment and shall communicate such decision to the Parties;

(b) the fees and expenses of the arbitrators shall be paid by the unsuccessful Party; provided that if the arbitration involves more than one matter and neither Party is successful on all matters subject to arbitration, the fees and expenses of the arbitrators shall be borne as determined by the arbitrator or arbitrators;

(c) the decision of the arbitrators shall be final and binding on the Parties and not subject to review; and

(d) except to the extent modified in this Article, the arbitration shall be administered by the ADR Institute of Canada Inc. in accordance with its "National Arbitration Rules".

ARTICLE 13
GENERAL

13.1 Confidentiality

(a) Prior to Closing, all information obtained by Purchaser from Vendor or its Affiliates respecting the Assets shall be retained in confidence by it and used by it only for the purposes of this Transaction and in accordance with the Confidentiality Agreements. Whether or not Closing occurs, for a period of one year after the Closing Time each Party shall keep confidential all information obtained from the other Party in connection with that other Party and, except as otherwise authorized pursuant to this Agreement, each Party shall not release any information concerning this Agreement and the Transaction, without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

(b) The confidentiality obligations in Section 13.1(a) shall not apply, or shall cease to apply, to information that:

(i) was in the public knowledge or literature at the time of disclosure; or

(ii) was already in the possession of the relevant Party without obligation of confidentiality at the time of disclosure;

and such provisions shall cease to apply to information that, subsequent to its disclosure:

(iii) becomes part of the public knowledge or literature through no act or omission of the relevant Party or any of such Party's Representatives;

(iv) is disclosed to the relevant Party without obligation of confidentiality by a Third Party having a legal right to do so; or

(v) is independently developed by or for the relevant Party by Persons without reference to the information.

(c) Nothing contained in this Section 13.1 shall prevent:

(i) Purchaser from using or disclosing information pertaining to the Assets after Closing; or

(ii) a Party at any time from furnishing information:

1. to any Governmental Authority;

2. subject to compliance with Section 13.3 hereof, to the public, a stock exchange or securities regulator, if required by Applicable Law, including Applicable Securities Laws, or the rules of a stock exchange to which a Party or its Affiliates are subject;

3. in connection with obtaining consents, assignments or novations**,** or satisfying Rights of First Refusal, under any Title and Operating Documents or Assumed Agreements; or

4. to its and its Affiliates directors, officers, employees, agents, legal counsel, advisors, accountants, consultants, other contractors, lenders and actual or potential providers of equity or debt financing, provided that any such Persons are required to comply with confidentiality provisions substantially similar to those provided by this Agreement or, in the case of Purchaser, Purchaser has complied with the provisions of the Confidentiality Agreements.

The obligations of Purchaser under this Section 13.1 are in addition to, and not in substitution for or in reduction of, the obligations of Purchaser under the Confidentiality Agreements.

13.2 <u>Further Assurances</u>

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement; provided, however, that Purchaser acknowledges and agrees that, other than expressly provided for in this Agreement, Vendor shall have no obligation to: sign any certificate; issue or help create any public disclosure materials; provide any financial statements, books and records or similar access or information; allow or conduct, or have conducted, any audit or financial review; or make any affirmation in connection with any prospectus or other disclosure or securities' filing, which Purchaser may be obligated, or otherwise wish, to issue or file.

13.3 <u>Public Announcements</u>

(a) Except as otherwise permitted herein, neither Party will make any press release or other public disclosure respecting the existence of this Agreement, the contents hereof or the Transaction contemplated hereby without the consent of the other Party, not to be unreasonably withheld, conditioned or delayed; provided however, the foregoing shall not restrict any press release or other public disclosures by any Party or its Affiliates to the extent that such press release or other public disclosure is required by Applicable Securities Laws or other Applicable Laws or the applicable rules of any stock exchange having jurisdiction over the disclosing Party or its Affiliates.

(b) A Party that proposes to make such a press release or other public disclosure shall, to the extent reasonably possible, provide the other Party with a draft of that release or other public disclosure at least three Business Days prior to its release to enable the other Party to review that draft and advise of any comments it may have with respect thereto. The Party proposing to make the press release will not unreasonably refuse to incorporate the requested changes in the public announcement except to the extent its counsel advises that doing so will result in non-compliance with Applicable Law or the rules of the applicable listing authority or stock exchange.

(c) Vendor acknowledges that Purchaser will be required to file this Agreement on SEDAR, and Purchaser agrees to consult with Vendor regarding the redaction of competitively sensitive information or other permitted redactions under Applicable Securities Laws from the filed copy of this Agreement.

(d) Notwithstanding any other provision of this Agreement or the Confidentiality Agreements, Vendor hereby consents to the disclosure by Purchaser in any prospectus, business acquisition report, material change report or other timely disclosure document (other than a press release), the issuance and form of which is subject to or prescribed and the requirement to file which is triggered by this Agreement or the Transaction by Applicable Securities Laws or the rules or requests of applicable stock exchanges (collectively, the "**Purchaser Disclosure**

Documents") of a description of the Assets, this Agreement and the Transaction, including such financial, operational and reserves information relating to the Assets as may be required by Applicable Securities Laws or the rules or requests of applicable stock exchanges to be included in any Purchaser Disclosure Document, provided that the Purchaser shall, to the extent reasonably possible, provide the Vendor with a draft of that Purchaser Disclosure Document at least three Business Days (two Business Days in the case of a prospectus) prior to its release to enable the Purchaser to review that draft and advise of any comments it may have with respect to Vendor, its Affiliates or their affairs, or in respect to description of the Assets, this Agreement or the Transaction, included therein. Purchaser will not unreasonably refuse to incorporate the requested changes with respect to Vendor, its Affiliates or their affairs, or in respect to description of the Assets, this Agreement or the Transaction, included in the applicable document except to the extent its counsel advises that doing so will result in non-compliance with Applicable Law or the rules of the applicable listing authority or stock exchange. For greater certainty, Vendor's obligations and Purchaser's permitted disclosure pursuant to this Section 13.3(d), 13.3(e) or 13.3(f) is limited only to the extent such is mandated or required by, and is not in contravention of, Applicable Securities Laws or the rules or requests of applicable stock exchanges applying to either Party.

(e) Until the Closing Time, to the extent that Purchaser reasonably requires the information set out in this Section 13.3(e) in order to comply with the requirements of Applicable Securities Laws or the rules or requests of applicable stock exchanges:

(i) Vendor shall provide such cooperation, assistance and information as Purchaser may reasonably request in connection with the preparation and filing of a short form prospectus filed in connection with raising funds for satisfying the Purchase Price (including using commercially reasonable efforts to cause GLJ Petroleum Consultants Ltd. to deliver consent letters in respect of their report on the Gundy assets, at Purchaser's sole risk and expense, as required by applicable Securities Regulatory Authorities) (the "**Vendor Financing Prospectus Information**"); provided that this shall not include the information set out in subparagraphs 13.3(f)(2)(A)-(C) below, as Purchaser has determined such will not be required to be included in any prospectus to be filed by Purchaser.

(f) Until December 31, 2017, to the extent that Purchaser determines that the Transaction is a "significant acquisition", as defined in National Instrument 51-102 and reasonably requires the information set out in this Section 13.3(f) in order to comply with the requirements of Applicable Securities Laws or the rules or requests of applicable stock exchanges,

(i) Vendor shall provide and shall use commercially reasonable efforts to cause its designated auditors to provide such cooperation, assistance and information as Purchaser may reasonably request in connection with the preparation and filing of the Purchaser Disclosure Documents, other than any prospectus (collectively, and together with the Vendor Financing Prospectus Information, the "**Vendor Information**"). Without limiting the generality of the foregoing, Vendor shall within a reasonable timeframe furnish to Purchaser all requested information concerning the Assets as required pursuant to Applicable Securities Laws for inclusion in:

1. a business acquisition report to be prepared in connection with the Transaction; and

2. such other disclosure as Purchaser may be required to prepare in accordance with Applicable Securities Laws for inclusion in Purchaser Disclosure Documents, other than a prospectus or short form prospectus,

which the Parties acknowledge and agree shall consist of and be limited to:

(A) audited operating statements for the Assets for the year ended December 31, 2015 prepared in accordance with subsection 3.11(5) of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**");

(B) unaudited operating statements for the Assets for the year ended December 31, 2014 prepared in accordance with subsection 3.11(5) of NI 52-107; and

(C) unaudited operating statements for the Assets for the nine month periods ended September 30, 2016 and September 30, 2015 prepared in accordance with subsection 3.11(5) of NI 52-107.

(ii) Vendor shall use commercially reasonable efforts to cause its auditors to deliver consent and comfort letters in respect of the Vendor Information as required by applicable Securities Regulatory Authorities.

(g) Vendor acknowledges and agrees that any or all of the Purchaser Disclosure Documents may be filed by Purchaser with various Securities Regulatory Authorities in accordance with Applicable Securities Laws and, if so filed, will be publicly available on SEDAR.

(h) Purchaser agrees and acknowledges that the provision by Vendor to Purchaser of Vendor Information pursuant to this Section 13.3 is made for the sole purpose of allowing Purchaser to prepare and file the Purchaser Disclosure Documents, and the provision of Vendor Information shall not be deemed to result in any representation or warranty, or form the basis for any other claim or liability, of Vendor to Purchaser.

(i) All Third Party costs associated with the Purchaser Disclosure Documents, preparation and delivery of the Vendor Information or as otherwise incurred by any Party or its Representatives pursuant to the operation of this Section 13.3 shall be borne by Purchaser, and Purchaser shall reimburse Vendor within 30 days of invoice for any Third Party costs Vendor incurs in connection with same, including the full costs of the Vendor's auditors for any efforts pursuant to this Section 13.3.

(j) Purchaser will be liable to and, in addition and separately, indemnify Vendor and its Representatives against any claims and all Losses as a result of or relating to the Purchaser Disclosure Documents (including without limitation any Misrepresentation therein), the Vendor Information and the operation of Section 13.3(d), (e) or (f), except such Losses arising out of or resulting from fraud, gross negligence or wilful misconduct of Vendor in complying with Section 13.3(d), (e) or (f).

13.4 Signs and Notifications

At any time after Closing, Vendor may but shall not be required to remove any signs which indicate Vendor's ownership or operation of the Assets. It shall be the responsibility of Purchaser, where necessary, to remove existing signs and erect or install any signs that may be required by or pursuant to Applicable Law indicating Purchaser to be the operator of the Assets and to notify lessors, suppliers, contractors, governmental agencies and any other Third Party of Purchaser's interest in the Assets, and Purchaser shall, as soon as is reasonably possible after Closing, remove and erect or install such signs and notify such Persons.

13.5 Governing Law

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. Each Party irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

13.6 Time

Time shall be of the essence in this Agreement.

13.7 Notices

The delivery methods for notice to the Parties pursuant to this Agreement are:

Vendor:		**Purchaser:**	
Shell Canada Energy 400 – 4th Avenue SW Calgary, Alberta T2P 2H5		Tourmaline Oil Corp. 3700, 250 – 6th Avenue SW Calgary, Alberta T2P 3H7	
Attn:	Senior Deal Lead, NBD & Deal Delivery Canada	Attn:	Vice President, Land
Email:	**[Redacted]**	Email:	**[Redacted]**

All notices, communications and statements required, permitted or contemplated in this Agreement shall be in writing pursuant to the delivery methods specified above, and shall be delivered and received:

(a) if personally served on the other Party by hand delivery or courier delivery, such notices so served shall be deemed to be received by the other Party:

(i) on the date of delivery if delivered within the normal working hours of a Business Day; or

(ii) if delivered outside the normal working hours of a Business Day, at the commencement of the next ensuing Business Day following delivery thereof; or

(b) if served by electronic mail directed to the other Party on whom they are to be served as set forth above, such notices so served shall be deemed to have been received by the other Party:

(i) on the date of transmission if the transmission is sent, within the normal working hours of a Business Day; or

(ii) if the transmission is sent outside the normal working hours of a Business Day, at the commencement of the next ensuing Business Day following transmission thereof,

provided, however:

(iii) in the case of email transmission, notice shall not be deemed to be received if an autoreply email is received by sender indicating that the email account is no longer monitored or in use; and

(iv) in the case of email transmission and an autoreply email is received by sender indicating the email is not being monitored for a period of time, notice shall not be deemed to be received until the expiry of the specified period of time.

A Party may from time to time change its delivery methods for notice by giving written notice of such change to the other Party.

13.8 <u>Entire Agreement</u>

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof and executed by a duly authorized representative of each Party. Except for the Confidentiality Agreement, this Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

13.9 Assignment

This Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be granted or withheld by such other Party in its sole and absolute discretion.

13.10 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, receiver-managers, successors, and permitted assigns.

13.11 Waivers

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or future exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provisions of this Agreement, including this Section, shall be effective other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver. Where a provision of this Agreement provides that an action must be taken, or a right or remedy must be exercised within or by a specified time, nothing in this Section shall be construed or operate so as to extend, waive or render inoperative such time constraint.

13.12 No Merger

Subject to the limitations expressly set forth in this Agreement, the covenants, representations, warranties and indemnities contained in this Agreement, including the provisions of Article 10, shall survive Closing and shall not merge in any assignments, conveyances, transfers or other documents executed and delivered at or after Closing pursuant to this Agreement, notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

13.13 Counterpart Execution and Electronic Transmission

This Agreement may be executed in as many counterparts as are necessary, no one copy of which need be executed by the Parties. A valid and binding contract shall arise if and when all execution pages have been both executed and delivered by the Parties in the manner provided herein. The electronic transmission of a signed original execution page of this Agreement, and transmission or re-transmission of a signed electronic transmission, shall be deemed to be the same as delivery of a signed original of this Agreement. At the request of either Party, the Parties will confirm electronically transmitted signatures by signing an original document for delivery between them.

[*Remainder of page intentionally left blank.*]

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

SHELL CANADA ENERGY **by its Managing Partner** **SHELL CANADA LIMITED**	**TOURMALINE OIL CORP.**
Per: (signed) *"Ryan Konotopsky"*	Per: (signed) *"Michael Rose"*
Ryan Konotopsky, Assistant Secretary	Michael L. Rose, President and Chief Executive Officer

Schedule "A"

<u>LANDS AND LEASES</u>

[Schedule Content Redacted]

Schedule “B”

FACILITIES

[Schedule Content Redacted]

WELLS

[Schedule Content Redacted]

Schedule "D"

ASSUMED AGREEMENTS

[Schedule Content Redacted]

Schedule "E"

ADJUSTMENT CALCULATION

[Schedule Content Redacted]

]

Schedule "F"

FORM OF GENERAL CONVEYANCE

THIS GENERAL CONVEYANCE dated **[●]**, 2016,

BETWEEN:

TOURMALINE OIL CORP., an Alberta corporation,

(the "**Purchaser**")

- and -

SHELL CANADA ENERGY, an Alberta general partnership having an office in Calgary, Alberta (the "**Vendor**")

WHEREAS Vendor and Purchaser entered into that Purchase and Sale Agreement dated **[●]**, 2016 (the "**Sale Agreement**") with respect to the "Assets" (which term, when used in this General Conveyance, has the same meaning as in the Sale Agreement);

AND WHEREAS all of the conditions precedent to the obligations of Vendor and Purchaser to close the transactions contemplated by the Sale Agreement have either been fulfilled or waived in the manner provided for waiver in the Sale Agreement;

NOW THEREFORE in consideration of the premises contained in this General Conveyance and the covenants and agreements contained in this General Conveyance, Vendor and Purchaser covenant and agree as follows:

1. Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser, and Purchaser hereby purchases from Vendor, all of the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets, **TO HAVE AND TO HOLD** the same, together with all benefit and advantage to be derived therefrom, absolutely, subject to the terms of the Sale Agreement.

2. The covenants, representations, warranties and indemnities contained in the Sale Agreement are incorporated herein as fully and effectively as if they were set out in this General Conveyance and there shall not be any merger of any covenant, representation, warranty or indemnity contained in the Sale Agreement by virtue of the execution and delivery of this General Conveyance, any rule of law, equity or statute to the contrary notwithstanding.

3. If any term or provision of this General Conveyance should conflict with any term or provision of the Sale Agreement, the term and provision of the latter shall prevail and this General Conveyance shall at all times be read subject to all terms and conditions of the Sale Agreement.

4. This General Conveyance shall be binding upon and shall enure to the benefit of each of Vendor and Purchaser and their respective trustees, receivers, receiver-managers, successors and permitted assigns.

5. This General Conveyance shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. Each of Vendor and Purchaser irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom in respect of all matters arising out of or in connection with this General Conveyance.

6. This General Conveyance may be executed in as many counterparts as are necessary and all executed counterparts together shall constitute one agreement.

IN WITNESS WHEREOF Vendor and Purchaser have executed and delivered this General Conveyance as of the date first above written.

SHELL CANADA ENERGY **by its Managing Partner** **SHELL CANADA LIMITED**	**TOURMALINE OIL CORP.**
Per: ____________________________	Per: ____________________________
Per: ____________________________	Per: ____________________________

Schedule “G”

VENDOR'S CLOSING CERTIFICATE

[Schedule Content Redacted]

Schedule “H”

PURCHASER'S CLOSING CERTIFICATE

[Schedule Content Redacted]

Schedule "I"

PROPRIETARY SEISMIC DATA

[Schedule Content Redacted]

Schedule “J”

FORM OF OPINION OF PURCHASER’S COUNSEL

[Schedule Content Redacted]

Schedule "K"

PIPELINE RECORDS

[Schedule Content Redacted]

Schedule “L”

<u>FORM OF SEISMIC LICENCE AGREEMENT</u>

[Schedule Content Redacted]

Schedule “M”

<u>FINANCIAL COMMITMENTS</u>

[Schedule Content Redacted]

Schedule “N”

SALES TAX MATTERS

[Schedule Content Redacted]

Schedule "O"

[Schedule Content Redacted]

Schedule "P"

[Schedule Content Redacted]