

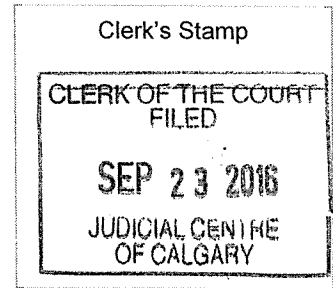
Form 49  
[Rule 13.19]

COURT FILE NUMBER 1601 06765

COURT COURT OF QUEEN'S BENCH OF ALBERTA  
 JUDICIAL CENTRE CALGARY

PLAINTIFF(S) **IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c. C-36, as amended**

**AND IN THE MATTER OF ENDURANCE ENERGY LTD.**



DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**Thornton Grout Finnigan LLP**  
 100 Wellington Street West, Suite 3200  
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 CANADA

Phone: (416) 304-1616  
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**Attention: Robert I. Thornton / Leanne Williams / Rachel Bengino**  
 File No: 1751-001

**AFFIDAVIT OF STEVEN VANSICKLE**

**Sworn (or Affirmed) on September 23, 2016**

I, Steven VanSickle, of Calgary, Alberta, SWEAR/AFFIRM AND SAY THAT:

- I am the President and Chief Executive Officer of Endurance Energy Ltd. ("**Endurance**" or the "**Company**"). Through my involvement with the Company, I have knowledge of the matters to which I hereinafter depose. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe such information to be true.

2. The purpose of this Affidavit is to support the relief requested by Endurance for an Order (the “**Approval and Vesting Order**”), *inter alia*:
- (a) approving and authorizing the sale transaction with respect to the BC Purchased Assets (as defined below) (the “**BC Transaction**”) contemplated by the asset purchase agreement between Endurance and Shanghai Energy Corporation (“**Shanghai Energy**”) dated September 21, 2016 (the “**BC Agreement**”). An unredacted copy of the BC Agreement, without schedules, is appended hereto as Confidential Exhibit “A” and a redacted copy, without schedules, is appended hereto as Exhibit “A”;
  - (b) upon the delivery of a Monitor’s certificate (the “**Monitor’s Certificate**”) to Shanghai Energy vesting all of the Company’s right, title and interest to the assets described in the BC Agreement (the “**BC Purchased Assets**”) absolutely in Shanghai Energy, free and clear of all interests, liens, charges and encumbrances, other than Permitted Encumbrances (as defined in the BC Agreement);
  - (c) approving and authorizing the sale transaction with respect to the Alta/SK Purchased Assets (as defined below) (the “**Alta/SK Transaction**”) and together with the BC Transaction, the “**Transactions**”) contemplated by the asset purchase agreement between Endurance and 1994450 Alberta Inc. (“**1994450**”) dated September 21, 2016 (the “**Alta/SK Agreement**”) and together with the BC Agreement, the “**Sale Agreements**”). An unredacted copy of the Alta/SK Agreement, without schedules, is appended hereto as Confidential Exhibit “B” and a redacted copy, without schedules, is appended hereto as Exhibit “B”;

- (d) upon delivery of the Monitor's Certificate to 1994450, vesting all of the Company's right, title and interest to the assets described in the Alta/SK Agreement (the "**Alta/SK Purchased Assets**") absolutely in 1994450, free and clear of all interests, liens, charges and encumbrances, other than Permitted Encumbrances (as defined in the Alta/SK Agreement);
- (e) sealing Confidential Exhibits "A" and "B", attached hereto; and
- (f) extending the Stay of Proceedings (as defined below) from September 30, 2016 to November 25, 2016 (the "**Stay Extension Period**").

#### **BACKGROUND AND STATUS OF THE CCAA PROCEEDINGS**

3. As described in my affidavit sworn in support of the Initial Order (the "**Initial Affidavit**") and supplementary affidavit sworn on June 6, 2016, the Company is engaged in the business of oil and natural gas exploration, development and production. The Company was experiencing serious liquidity needs and required immediate and continued funding in order to conduct the Sale Process (as defined below) in an attempt to sell the Company as a going concern for the general benefit of its stakeholders or, in the alternative, complete a safe and proper shutdown of its operations.
4. Any capitalized terms not otherwise defined herein have the meaning attributed to them in the Initial Affidavit or the Initial Order (as defined below).
5. As at the date of the Initial Order (as defined below), Endurance was indebted to the Lenders in the amount of approximately \$221,886,331.
6. On May 30, 2016, Endurance was granted an Order, as amended and restated (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c.

C-36, as amended (the “**CCAA**”) for relief including, *inter alia*, (i) a stay of proceedings until June 29, 2016 (the “**Stay of Proceedings**”), (ii) the appointment of FTI Consulting Canada Inc. as Monitor (the “**Monitor**”), (iii) approving certain charges, (iv) approving the Interim Facility Commitment Letter (the “**Commitment Letter**”) between the Company and WP Private Equity XI Inc. (the “**Interim Lender**”) for interim funding during these CCAA proceedings (the “**Interim Funding**”) and (v) approving the engagement of BMO Nesbitt Burns Inc. as the Company’s financial advisor (the “**Financial Advisor**”).

7. Also on May 30, 2016, this Court granted an Order approving a sale process in respect of the assets of the Company, which was subsequently revised by way of further Court Order on June 22, 2016 (the “**Sale Process**”).
8. On August 26, 2016, this Court granted an Order extending the Stay of Proceedings until September 30, 2016. Further, on September 2, 2016, the Court granted an order amending the terms of the Commitment Letter, which, amongst other things, extended the maturity date therein to September 30, 2016 (the “**DIP Extension**”).
9. Pursuant to the terms of the Commitment Letter, the Company is authorized to draw up to USD\$15,000,000 under the Interim Funding. To date, the Company has drawn approximately USD\$11,000,000 under the Interim Funding.

## **SALE PROCESS**

10. Since the date of the Initial Order, the Company has commenced and implemented the Sale Process in conjunction with the Monitor and the Financial Advisor and in consultation with the Lenders. The Sale Process is intended to maximize stakeholder value through a sale of all or part of the assets of the Company, specifically, those oil and gas assets located in British Columbia (the “**BC Assets**”), Alberta (the “**Alta Assets**”) and Saskatchewan (the “**SK Assets**” and together with the BC Assets and Alta Assets, the “**Assets**”).
11. In accordance with the Sale Process, the Company and the Financial Advisor have provided regular updates to the Lenders in respect of the Sale Process. The Interim Lender, as a credit bidder, was not provided access to this information throughout the majority of the Sale Process. However, as a condition of the DIP Extension, upon satisfactory confirmation that the Interim Lender would not amend its credit bid and with the consent of the Company, the Monitor and the Lenders, the Financial Advisor began providing the Interim Lender with information and updates with respect to the Sale Process.

### **Summary of Sale Process and result**

12. The following is a brief summary of the steps taken by the Company and the Financial Advisor, under the supervision of the Monitor, to implement the Sale Process:
  - (a) prepared and delivered a confidential information memorandum and teaser document;

- (b) populated a virtual data room; and
  - (c) contacted buyers with potential interest in the Assets.
13. Following the posting of the opportunity, numerous parties executed non-disclosure agreements and were provided access to the data room to perform due diligence.
  14. The deadline for receipt of non-binding expressions of interest (“EOI”) was on or about June 28, 2016. The Company received non-binding EOIs for the purchase of the Assets and/or the Alta Assets from several interested parties.
  15. The Financial Advisor, in consultation with the Company, contacted those parties that submitted non-binding EOIs and were given an opportunity to clarify their proposals. Parties were given the opportunity to meet with the Company’s management, conduct site visits and detailed due diligence.
  16. The deadline for receipt of binding bids (“**Binding Bids**”) in accordance with the Sale Process was 11:59 p.m. (Mountain Daylight Time) on July 25, 2016. The Company received Binding Bids with respect to the Assets from interested parties.

#### **Selection of Successful Bids**

17. In accordance with the Sale Process, the Financial Advisor entered into discussions with the parties that submitted a Binding Bid in order to provide access to further due diligence and maximize the value to the Company.
18. The Company, in consultation with the Financial Advisor and Monitor, assessed the Binding Bids received, which included, amongst other things, consideration of: (a) the purchase price offered; (b) the assets included in the Binding Bid; (c) the proposed

transaction documents and asset purchase agreement; (d) factors affecting the speed, certainty and value of the transaction; and (e) the likelihood of consummating the transaction. Based on the above-mentioned factors, the Company narrowed down the list of potential purchasers and continued discussions with those parties.

19. After extensive negotiations with certain of the parties who submitted Binding Bids, the Company, in consultation with the Financial Advisor, the Monitor and the Lenders, identified the joint Binding Bid submitted by Kailas Capital Corp. and Shanghai Energy as the most favourable bid and finalized the terms of the Sale Agreements. In negotiating the Sale Agreements, the Company was assisted by its legal counsel and the Financial Advisor, with oversight by the Monitor.
20. The Company has entered into an asset purchase agreement with Shanghai Energy for the sale of the BC Assets. The Company has also entered into an asset purchase agreement with 1994450 for the sale of the Alta Assets and SK Assets. Shanghai Energy and 1994450 (collectively, the “**Purchaser**”) are related entities.

### **The Sale Agreements**

21. The Sale Agreements each contain certain commercially sensitive information, which, if made public, could be prejudicial to the Company. As such, the Company is seeking to have certain of the terms and conditions of each of the Sale Agreements sealed from the public record.
22. In this section, any terms not defined herein have the meaning attributed to them in either the BC Agreement or Alta/SK Agreement, as applicable.
23. Certain key terms common to each of the Sale Agreements are as follows:

- (a) *Purchase Price & Deposit* – the purchase price has been redacted from Exhibits “A” and “B”, and is set out in Confidential Exhibits “A” and “B”, and also includes the assumption of certain liabilities;
- (b) *Purchased Assets* - the BC Purchased Assets and Alta/SK Purchased Assets, each include, among other things, all lands in the Whitemap Area (as attached to each respective Sale Agreement), leases and licenses of petroleum substances, equipment and facilities located in the Whitemap Area, certain contracts, licenses and wells;
- (c) *Closing* – the date of closing (the “**Closing**”) for the sale of each of the BC Purchased Assets and Alta/SK Purchased Assets is to take place within five (5) and three (3) business days, respectively, following the date on which the Approval and Vesting Order is granted, provided that the conditions set out in each respective Sale Agreement has been satisfied or waived. The Company is committed to working with the Purchaser to satisfy the conditions and close the transactions as quickly as possible.
- (d) *Regulatory Approval* - within five (5) business days after closing, the Company must submit an application to the applicable governmental authority for the transfer of Assumed Licenses;
- (e) *Assumed Liabilities* – on Closing, the Purchaser has agreed to assume certain liabilities including, *inter alia*, liabilities for debts or other liquidated amounts under the Assigned Contracts and all other Liabilities (excluding Environmental Liabilities) in respect of the Assets that arise on or after Closing. Other assumed liabilities include Environmental Liabilities, Taxes with respect to the Oil and Gas



Assets and all liabilities in connection with the Suspense Funds regardless of when they occurred. Other assumed liabilities under the BC Transaction include Transfer Taxes and Cure Costs;

(f) *Excluded Liabilities* – the Purchaser has not agreed to assume, among other things, prior indebtedness for borrowed money of the Company, guarantees, accrued expenses and accounts payable, Actions and Proceedings, liabilities to current or former shareholders, draft or cheques outstanding at the time of Closing and claims related to the Excluded Assets. Other excluded liabilities under the BC Agreement include Excluded Contracts. Further, other excluded liabilities under the Alta/SK Agreement, include Cure Costs, Transfer Taxes and Existing Work Orders; and

(g) *Conditions to Closing* – both the Purchaser and the Company provide a number of representations and warranties that are typically found in similar agreements, including an acknowledgment by the Purchaser that it is purchasing the Assets on an “as is where is” basis. Amongst other conditions, the Company has agreed that it shall use commercially reasonable efforts to maintain and operate the Assets in a reasonably prudent manner, paying all post-filing bonuses and royalties relating to the Assets.

24. An additional key term of the Alta/SK Agreement is that it is dependent on the completion of the BC Transaction.
25. The Purchaser is deciding which, if any, employees it will offer employment to upon the closing of the Transactions.

### **Support for the Transactions**

26. I am advised by the Monitor that it is satisfied with the process followed by the Applicant and the Financial Advisor throughout the Sale Process and the steps leading to the Transactions. The Monitor supports the Transactions and the relief sought herein.
27. The Lenders, which are the beneficiaries of the net sale proceeds from the Transactions, are supportive of the Transactions, notwithstanding that the Lenders will not be repaid in full as a result of the Transactions.
28. The board of directors of Endurance have approved the Transactions.
29. The Sale Agreements were negotiated in good faith between arm's length parties. Neither Shanghai Energy, nor 1994450, are related persons to Endurance, as defined in subsection 36(5) of the CCAA.
30. In the circumstances, I believe that the Transactions are fair and reasonable and in the best interest of the Company and its stakeholders. I further believe that the purchase price represents the best possible offer and the fair market value of the Assets.

### **STAY EXTENSION**

31. The Company has continued to operate its business in the normal course with the benefit of the stay of proceedings which has provided stability to the business. The Company has acted, and is continuing to act, in good faith and with due diligence in these proceedings.
32. The current Stay of Proceedings expires on September 30, 2016. The Company requires an extension of the Stay of Proceedings up to and including November 25, 2016, in order

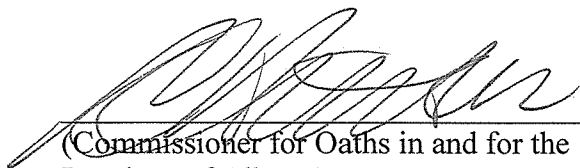
to allow the Company sufficient time to close the proposed Transactions and deal with ancillary issues.

33. The Company, with the assistance of the Monitor, has prepared an updated cash flow forecast in respect of the proposed Stay Extension Period. The updated cash flow forecast (the “**Cash Flow Forecast**”) demonstrates that the Company has sufficient liquidity to fund its operations through the proposed Stay Extension Period. Further, no creditors will be materially prejudiced by the proposed extension of the Stay of Proceedings.
34. The Interim Funding becomes due and payable on or about September 30, 2016 (the “**Maturity Date**”) in accordance with the Commitment Letter. The Cash Flow Forecast demonstrates that the Company does not require further funding from the Interim Lender during the proposed Stay Extension Period.

**PURPOSE OF THE AFFIDAVIT**

35. I hereby swear this Affidavit in support of the relief sought herein and for no other or improper purpose.

SWORN (OR AFFIRMED) BEFORE ME at  
Calgary, Alberta, this 23<sup>rd</sup> day of September, 2016.



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(Commissioner for Oaths in and for the  
Province of Alberta)

**CAROLE J. HUNTER**  
Barrister & Solicitor

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PRINT NAME AND EXPIRY/LAWYER  
/STUDENT-AT-LAW



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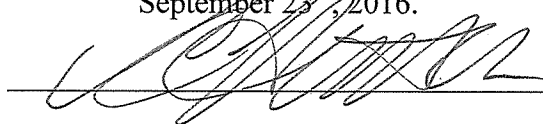
(Signature)

*Steven VanSickle*

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(Print Name)

This is Exhibit "A" referred to in the affidavit of Steven VanSickle sworn before me on  
September 23<sup>rd</sup>, 2016.

A handwritten signature in black ink, appearing to read 'Carole J. Hunter', is written over a horizontal line.

A Commission of Oaths for  
the Province of Alberta  
**CAROLE J. HUNTER**  
Barrister & Solicitor

---

PRINT NAME AND EXPIRY/LAWYER  
/STUDENT-AT-LAW

---

**ASSET PURCHASE AGREEMENT**  
**DATED AS OF SEPTEMBER 21, 2016**  
**BETWEEN**  
**ENDURANCE ENERGY LTD.,**  
**AS SELLER,**  
**AND**  
**SHANGHAI ENERGY CORPORATION,**  
**AS BUYER**

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## ASSET PURCHASE AGREEMENT

**THIS ASSET PURCHASE AGREEMENT** (this "**Agreement**") is made as of September 21, 2016 between Endurance Energy Ltd. ("**Endurance**"), an Alberta corporation ("**Seller**"), and Shanghai Energy Corporation ("**Buyer**"). Capitalized terms used but not otherwise defined herein have the meanings set forth in Article 1. Seller and Buyer are sometimes referred to collectively herein as the "**Parties**" and individually as a "**Party**".

### RECITALS

**WHEREAS** Seller is engaged in the business of oil and natural gas exploration, development and production in the province of British Columbia, and owns certain oil and gas leases and associated assets more particularly described in Schedule A;

**WHEREAS** on May 30, 2016, Seller commenced proceedings under the CCAA, and pursuant to the order of the Honourable Madam Justice Horner of the Court granted May 30, 2016, Seller has been operating under CCAA protection since that time;

**WHEREAS** Seller desires to sell to Buyer all of the Oil and Gas Assets, and Buyer desires to purchase from Seller all of the Oil and Gas Assets and assume all of the Assumed Liabilities, upon the terms and conditions hereinafter set forth;

**WHEREAS** Seller's ability to consummate the Transaction is subject to, among other things, the entry of the Approval and Vesting Order by the Court;

**NOW THEREFORE**, in consideration of the premises, the mutual promises herein made, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### ARTICLE 1 DEFINITIONS

#### 1.1 Definitions

For purposes of this Agreement, the following terms have the meanings specified or referenced below.

- (a) "**Abandonment and Reclamation Liabilities**" means all past, present and future obligations and liabilities to:
- (i) abandon the Wells and close, decommission, dismantle and remove all structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities and Tangibles that are or were located in or on the Lands or lands used or previously used in connection with the Lands; and
  - (ii) restore, remediate and reclaim any surface and subsurface locations of the Lands on which the Wells, structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities described in Section 1.1(a)(i) (including Wells, structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities which were abandoned or decommissioned prior to the date hereof) are or were located and all lands used to gain access to any of them;

all in accordance with generally accepted industry practices in the province where the Assets are located and in compliance with all Legal Requirements and the Title and Documents.

- (b) "**Action**" means any legal action, suit or arbitration, or any inquiry, proceeding or investigation, by or before any Governmental Authority.
- (c) "**AFE**" means authorization for expenditure.
- (d) "**Affiliate**" means with respect to a Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control of such Person where, for the purposes of this definition only, "control", "controlling" or "controlled" means the possession, direct or indirect, of the power to direct the management and policies of such other Person, whether through the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means.
- (e) "**Agreement**" has the meaning set forth in the introductory paragraph.
- (f) "**Approval and Vesting Order**" means an order of the Court approving the sale by Seller to Buyer of the Oil and Gas Assets in accordance with the provisions of this Agreement, and vesting all of Seller's right, title and interest in and to the Oil and Gas Assets in Buyer, in such form satisfactory to each of the Parties, acting reasonably.
- (g) "**Assigned Contracts**" means all Contracts other than the Excluded Contracts, including sales and purchase contracts, operating agreements, exploration agreements, development agreements, seismic licences, balancing agreements, farmout agreements, service agreements, transportation agreements, surface use agreements and other surface or subsurface rights agreements, processing, treatment and gathering agreements, equipment leases and other contracts, agreements and instruments, insofar as they relate to the Oil and Gas Assets (other than the Excluded Assets), including the Material Contracts, the Material Lease Agreements and the Title Documents other than the Leases.
- (h) "**Assumed Liabilities**" has the meaning set forth in Section 2.2.
- (i) "**Base Purchase Price**" has the meaning set forth in Section 3.1.
- (j) "**BCOGC**" means the British Columbia Oil and Gas Commission.
- (k) "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for the transaction of domestic business in each of: (i) Calgary, Alberta; and (ii) Hong Kong, P.R. China.
- (l) "**Canadian Regulatory Approvals**" means the Competition Act Approval, the approval of the BCOGC of the transactions hereunder, and such other approvals and licences as may be required to be obtained from the BCOGC.
- (m) "**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.
- (n) "**CCAA Proceedings**" means the proceedings commenced by Seller under the CCAA in the Court having Court file number 1601-06765 and styled *In The Matter Of a Plan of Compromise Or Arrangement Of Endurance Energy Ltd.*, which is currently pending before the Court as of the date hereof.

- (o) "**Closing**" has the meaning set forth in Section 4.1.
- (p) "**Closing Date**" means the date as of which the Closing occurs as set forth in Section 4.1.
- (q) "**Closing Time**" has the meaning set forth in Section 4.1.
- (r) "**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 and includes the Commissioner's representatives, where the context requires.
- (s) "**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C 34, as amended.
- (t) "**Competition Act Approval**" means the occurrence of one or more of the following:
  - (i) an advance ruling certificate (an "**ARC**") pursuant to Section 102 of the Competition Act shall have been issued by the Commissioner in respect of the Transaction on terms satisfactory to the Parties acting reasonably;
  - (ii) the Commissioner shall have waived the obligation to notify and supply information under Part IX of the Competition Act pursuant to Subsection 113(c) of the Competition Act ("**Waiver**") in respect of the Transaction and confirmed in writing that the Commissioner does not, at that time, intend to file an application under Section 92 of the Competition Act (a "**No-Action Letter**") in connection with the Transaction, on terms satisfactory to the Parties acting reasonably, and such Waiver and No-Action Letter remain in full force and effect; or
  - (iii) the Parties shall have notified the Commissioner of the Transaction under Section 114 of the Competition Act and the waiting period under Section 123 of the Competition Act shall have expired or been terminated and the Commissioner shall have issued a No-Action Letter in connection with the Transaction, on terms satisfactory to the Parties acting reasonably, and such No-Action Letter remains in full force and effect.
- (u) "**Confidentiality Agreement**" has the meaning set forth in Section 15.2.
- (v) "**Contract**" means any agreement, contract, obligation, promise or undertaking (in each case, whether written or oral), other than a Lease, that is legally binding.
- (w) "**Court**" means the Court of Queen's Bench of Alberta.
- (x) "**Cure Costs**" means in accordance with section 11.3(4) of the CCAA, any and all cure and reinstatement costs or expenses relating to the assignment and assumption of the Assigned Contracts to which Seller is party and that are included in the Oil and Gas Assets, but for certainty, excluding the Excluded Contracts.
- (y) "**Deposit**" [REDACTED]
- (z) "**Deposit Escrow Agreement**" means the escrow agreement among Seller, Buyer and the Escrow Agent relating to the Deposit.
- (aa) "**Disclosure Schedule**" means Schedule B.
- (bb) "**Effective Time**" means 12:01 a.m. on September 1, 2016.

- (cc) "**Employee Disclosure Letter**" means the letter prepared by Seller for Buyer setting out certain information relating to the Seller Employees as described in Section 9.1(c).
- (dd) "**Encumbrance**" means any charge, lien, claim, mortgage, lease, sublease, hypothecation, deed of trust, pledge, security interest, option, right of use or possession, right of first offer or first refusal, easement, servitude, restrictive covenant, encroachment, encumbrance, third party interest or other restriction or limitation of any kind.
- (ee) "**Environmental Laws**" means all common law and Legal Requirements relating to the protection of the environment and related employee and public health and safety, and without restricting the generality of the foregoing, includes those Legal Requirements relating to the discovery, development, production, gathering, use, storage, transmission, transportation, treatment and disposal of Petroleum Substances, the emission, discharge, release or threatened release of substances into or onto the air, water or land and the clean-up and remediation of contaminated sites, in each case insofar as the protection of the environment and related employee and public health and safety is concerned.
- (ff) "**Environmental Liabilities**" means all past, present and future obligations and liabilities of whatsoever nature or kind arising from or relating to, directly or indirectly:
- (i) Environmental Matters;
  - (ii) past, present and future non-compliance with, violation of or liability under Environmental Laws relating to or arising in connection with the ownership or control of the Assets; or
  - (iii) Abandonment and Reclamation Liabilities;
- whenever occurring or arising.
- (gg) "**Environmental Matters**" means any activity, event or circumstance in respect of or relating to:
- (i) the storage, use, holding, collection, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling, transportation or Release of Hazardous Substances;
  - (ii) the protection of the environment; or
  - (iii) pollution, reclamation, remediation or restoration of the environment;
- in each case relating to or arising in connection with the ownership or control of the Lands or the Assets or that has or have arisen or hereafter arise from or in respect of past, present or future operations, activities or omissions in or on the Lands or in respect of the Assets, including obligations to compensate Third Parties for Losses and Liabilities.
- (hh) "**Escrow Agent**" means FTI Consulting Canada Inc.
- (ii) "**ETA**" means Part IX of the *Excise Tax Act* (Canada).
- (jj) "**Excluded Assets**" means those assets set forth in Schedule C.

- (kk) "**Excluded Contracts**" means those Contracts described as such in Schedule C.
- (ll) "**Excluded Liabilities**" has the meaning set forth in Section 2.3.
- (mm) "**Facilities**" means the facilities identified in Schedule A.2.
- (nn) "**Final Statement of Adjustments**" has the meaning set forth in Section 10.3(a).
- (oo) "**Fort St. John Warehouse**" means the warehouse subleased from Encana Corporation located at municipal address Lot 1, Block 1, District Lots 1535, 1560 and 2117, Peace River District (as amended July 13, 2012), Fort St. John, BC, which sublease will be terminated pursuant to the Approval and Vesting Order.
- (pp) "**General Conveyance**" means the general conveyance agreement in the form attached hereto as Schedule E.
- (qq) "**Governmental Authority**" means any federal, provincial, municipal, county or regional government or government authority or other law, regulation or rule making entity, including any court, department, commission, bureau, board, tribunal, administrative agency or regulatory body of any of the foregoing, that exercises jurisdiction over the Oil and Gas Assets or the Parties.
- (rr) "**Governmental Authorization**" means any approval, consent, licence, permit, waiver or other authorization issued, granted or otherwise made available by or under the authority of any Governmental Authority.
- (ss) "**Hazardous Substance**" means any "pollutant," "contaminant," "hazardous waste," "hazardous material," or "hazardous substance" that is or becomes identified, listed, published, or defined under any of the Environmental Laws.
- (tt) "**Interim Period**" means the period commencing on the date of this Agreement and ending on and including the Closing Date.
- (uu) "**Interim Statement of Adjustments**" has the meaning set forth in Section 10.2.
- (vv) "**Knowledge**" means (i) with respect to Seller, the actual knowledge (without any duty of inquiry) of any of the senior officers of the Seller; and (ii) with respect to Buyer, the actual knowledge (without any duty of inquiry) of any of the senior officers of Buyer.
- (ww) "**Lands**" means all lands in the Whitemap Area and any lands pooled or unitized therewith as described in Schedule A.1 (subject to the restrictions and exceptions as to geological formations and Petroleum Substances as set forth in Schedule A.1).
- (xx) "**Leased Substances**" means Seller's Interest in all Petroleum Substances or rights to Petroleum Substances that are granted, reserved or otherwise conferred by or under the Title Documents.
- (yy) "**Leases**" means the leases and licences of Petroleum Substances (or any of them) that are described in Schedule A.1, insofar as they relate to the Lands.
- (zz) "**Legal Requirement**" means all laws, orders, statutes, rules, by-laws, decrees, regulations, directives, judgments, declarations and similar pronouncements made by the Crown or other Governmental Authority.

- (aaa) "**Liabilities**" means, in relation to a matter, any and all liabilities and obligations (whether under common law, in equity, under Legal Requirements or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which the Seller suffers, sustains, pays or incurs as a result of or in connection with such matter; but excluding indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by the Seller, but including any such indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by a Third Party entitled to recovery or indemnification from the Seller.
- (bbb) "**Licence Transfers**" means, other than the Specific Conveyances, any transfers or assignments of Licences.
- (ccc) "**Licences**" means all governmental (whether federal, provincial or local) permits, licences, authorizations, franchises, grants, easements, variances, exceptions, consents, certificates, approvals and related instruments or rights of any Governmental Authority or other third party, and any writ, judgment, decree, award, order, injunction or similar order, writ, ruling, directive or other requirement of any Governmental Authority (in each such case whether preliminary or final) required of Seller pertaining to or used in connection with, the Petroleum and Natural Gas Rights or the Tangibles, excluding the Excluded Assets.
- (ddd) "**Losses and Liabilities**" means, in relation to a matter, any and all:
- (i) losses, costs, damages, expenses and charges (including all penalties, assessments and fines) which the Seller suffers, sustains, pays or incurs, directly or indirectly, in connection with such matter and includes reasonable costs of legal counsel (on a full indemnity basis) and other professional advisors and reasonable costs of investigating and defending Actions arising from the matter, regardless of whether such Actions are sustained and includes taxes payable on any settlement payment or damage award in respect of such matter; and
  - (ii) liabilities and obligations (whether under common law, in equity, under Legal Requirements or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which the Seller suffers, sustains, pays or incurs as a result of or in connection with such matter;
- but excluding indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by the Seller, but including any such indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by a Third Party entitled to recovery or indemnification from the Seller.
- (eee) "**Material Adverse Effect**" means any change, event or occurrence that individually or in the aggregate (taking into account all other such changes, events or occurrences) has had, or would be reasonably likely to have, a material adverse change in or material adverse effect on the Oil and Gas Assets or Seller's business (excluding the Excluded Assets and the Excluded Liabilities) on the one hand, and Buyer's ability to consummate the Transaction on the other hand, in each case taken as a whole, but excluding:

- (i) any change or effect to the extent that it results from or arises out of the pendency of the CCAA Proceedings;
  - (ii) the execution and delivery of this Agreement or the announcement thereof or consummation of the Transaction;
  - (iii) changes in (or proposals to change) Legal Requirements, generally accepted accounting principles or other accounting regulations or principles;
  - (iv) acts of God, including hurricanes, storms and other natural disasters;
  - (v) any action contemplated by this Agreement or taken at the request of Buyer;
  - (vi) any change or effect generally applicable to (A) the industries and markets in which Seller operates or (B) economic or political conditions or the securities or financial markets in any country or region; and
  - (vii) any outbreak or escalation of hostilities or war or any act of terrorism.
- (fff) "**Material Contracts**" means agreements in respect of:
- (i) the purchase or sale of gas, oil or other Petroleum Substances;
  - (ii) gas balancing, hedging or other derivatives;
  - (iii) the dedication, transportation, processing, compression, treatment, gathering, disposal or storage of Petroleum Substances; and
  - (iv) other like agreements;
- described in Schedule A.3, and specifically excluding the Excluded Contracts.
- (ggg) "**Material Lease Agreements**" means those agreements set forth in Schedule A.6 providing for the lease or rental of Tangibles and Miscellaneous Interests.
- (hhh) "**Miscellaneous Interests**" means Seller's Interest in and to all property, assets and rights (other than the Petroleum and Natural Gas Rights, the Tangibles, and the Excluded Assets) pertaining to or used in connection with, the Petroleum and Natural Gas Rights or the Tangibles to which Seller is entitled on the Closing Date including the following property, assets and rights:
- (i) the Assigned Contracts;
  - (ii) to the extent transferable pursuant to applicable Legal Requirements, all Licences;
  - (iii) the Surface Rights;
  - (iv) the Seismic Rights;
  - (v) the Wells, including the related wellbores and casing;
  - (vi) rig mats;



- (vii) all records, books, files, reports, data, plotters, furniture, computers, servers, documents and information, including seismic data, well files, lease files, agreement files, previous AFE invoices and production records;
- (viii) phone lines, satellite services, cellular modems, cell phones, computer hardware, printers, routers, software, copiers and other office machines, all as may be located at or attached to the Facilities; and
- (ix) all Suspense Funds;

but only to the extent that the above pertain to or are used in connection with the Petroleum and Natural Gas Rights or the Tangibles.

- (iii) **"Non-Canadian Regulatory Approvals"** means the approval of the State Administration of Foreign Exchange.
- (jjj) **"Oil and Gas Assets"** means the Petroleum and Natural Gas Rights, the Tangible Property and the Miscellaneous Interests.
- (kkk) **"Order"** means any award, writ, injunction, judgment, order or decree entered, issued, made, or rendered by any Governmental Authority.
- (lll) **"Outside Date"** means October 31, 2016, subject to the right of either the Seller or Buyer to postpone the Outside Date for an additional 30 days if the Regulatory Approvals have not been obtained and have not been denied by a non-appealable decision of a Governmental Authority; provided that notwithstanding the foregoing, a Party shall not be permitted to postpone the Outside Date if the failure to obtain a Regulatory Approval is materially the result of such Party failing to cooperate in good faith in obtaining such Regulatory Approval.
- (mmm) **"Party"** or **"Parties"** means, individually or collectively, Buyer and Seller.
- (nnn) **"Permitted Encumbrances"** means any of the following:
  - (i) any rights, obligations, or duties reserved to or vested in any municipality or other Governmental Authority to:
    - (A) control or regulate any Oil and Gas Asset in any manner including all applicable Legal Requirements;
    - (B) purchase, condemn, expropriate, or recapture any Oil and Gas Asset;
    - (C) designate a purchaser of any Oil and Gas Asset; or
    - (D) use any Oil and Gas Asset in any manner or increase the applicable Working Interest in a Lease below that shown in Schedule A.1;
  - (ii) the terms and conditions of all of the Assigned Contracts;
  - (iii) any consent applicable to the Transaction;
  - (iv) easements, rights-of-way, servitudes, permits, surface leases, and other similar rights on, over, or in respect of any of the Oil and Gas Assets, as long as any such encumbrances,

individually or in the aggregate, do not interfere in any material respect with Seller's use or operation of the Oil and Gas Assets (as currently used or operated) burdened thereby;

- (v) all royalties, overriding royalties, production payments, net profits interests, reversionary interests, carried interests, and other burdens shown in Schedule A.1;
  - (vi) defects or irregularities of title:
    - (A) as to which the relevant statute(s) of limitations or prescription would bar any attack or claim against Seller's title; or
    - (B) arising out of lack of corporate authorization or a variation in corporate name;
  - (vii) liens or other Encumbrances for Taxes not yet due and payable or that are being contested in good faith;
  - (viii) abandonment, plugging and surface restoration obligations;
  - (ix) all requirements to obtain the consent or approval of, or to submit notices or filings with, or other actions by, Governmental Authorities in connection with the conveyance of the Leases, if the same are customarily sought and received after the Closing;
  - (x) calls on production of Petroleum Substances under any Assigned Contracts;
  - (xi) the terms and conditions of the Leases, including any depth limitations or similar limitations that may be set forth therein and any liens or security interests reserved in the Leases for royalty, bonus, or rental, or for compliance with the terms of the Leases;
  - (xii) liens incurred or created in the ordinary course of business as security in favour of a Person that is conducting the development or operation of the property to which such liens relate and that are not due and payable or delinquent;
  - (xiii) mortgages on the lessor's interest under an Assigned Lease and Interest;
  - (xiv) liens or trusts arising in connection with workers' compensation, unemployment insurance, or pension;
  - (xv) conventional rights of reassignment obligating Seller to reassign its interest in any portion of the Leases to a third party, if such right is only triggered when Buyer expressly indicates its intention to release or abandon such interest prior to the expiration of the primary term or other termination of such interest; and
  - (xvi) any Encumbrances that will not be released by the Approval and Vesting Order.
- (ooo) "**Person**" means any individual, corporation (including any non-profit corporation), partnership, limited liability company, joint venture, estate, trust, association, organization or other entity or Governmental Authority.
- (ppp) "**Petroleum and Natural Gas Rights**" means, other than the Excluded Assets, Seller's Interest in and to the Lands, the Leases and the Petroleum Substances in the Province of British Columbia, excluding the Excluded Assets.

- (qqq) "**Petroleum Substances**" means any and all of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas and all related hydrocarbons (including liquid hydrocarbons) and all other substances relating to any of the foregoing, whether liquid, gaseous or solid, and whether hydrocarbons or not, and all products derived from any of the foregoing (except coal but including sulphur).
- (rrr) "**Proceeding**" means any Action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority.
- (sss) "**Purchase Price**" has the meaning set forth in Section 3.1.
- (ttt) "**Regulatory Approvals**" means the Canadian Regulatory Approvals and the Non-Canadian Regulatory Approvals.
- (uuu) "**Release**" means any past or present spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Substance into the environment (including the abandonment or discharging of barrels, containers and other closed receptacles containing any Hazardous Substance).
- (vvv) "**Representative**" means, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.
- (www) "**Right of First Refusal**" or "**ROFR**" means a right of first refusal, pre-emptive right of purchase or similar right whereby any Third Party has the right to acquire or purchase any of the Oil and Gas Assets as a consequence of the Parties entering into this Agreement or the Transaction.
- (xxx) "**Security Arrangements**" has the meaning set forth in Section 2.6(c).
- (yyy) "**Seismic Rights**" means all seismic data as set forth and described in Schedule A.8 relating to or in respect of:
- (i) Seller's 100% proprietary seismic data lines related to the Assets; and
  - (ii) Seller's proprietary seismic data lines in respect of which Buyer has agreed to pay any licencing or transfer fees to payable to Third Parties in respect of the licensing or transfer thereof.
- (zzz) "**Seller**" has the meaning set forth in the introductory paragraph.
- (aaaa) "**Seller Employees**" means employees and consultants identified by Seller whose employment or consulting obligations relate to the Oil and Gas Assets.
- (bbbb) "**Seller Party**" means Seller, its Affiliates and Representatives of each of the foregoing.
- (cccc) "**Seller's Interest**" means all of Seller's right, interest, title and estate, whether absolute or contingent, legal or beneficial.
- (dddd) "**Seller's Obligations**" has the meaning set forth in Section 2.6(c).

- (eeee) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer the Oil and Gas Assets to Buyer and to novate Buyer in the place and stead of Seller and/or its Affiliates with respect to the Oil and Gas Assets, including without limitation, change of operator forms, change of operator notices required under applicable operating agreements, and any other applicable forms and declarations required by federal and provincial agencies relative to Buyer's assumption of operations and plugging and abandonment Liabilities with respect to all of the Oil and Gas Assets; provided however, that no Specific Conveyance shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement.
- (ffff) "**Subsidiary**" means any entity with respect to which a specified Person directly or indirectly (through one or more intermediaries) has the power, through the direct or indirect ownership of securities or otherwise, to elect a majority of the directors or similar managing body.
- (gggg) "**Surface Rights**" means all rights of Seller or its Affiliates to use the surface of land in connection with the Oil and Gas Assets and the operations thereon, including rights to enter upon, use, occupy and enjoy the surface of lands upon which the Tangibles and the Wells are located or any lands which are or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including such rights Seller reasonably requires for its other operations on the Lands, provided that in all such instances, Buyer shall, insofar as it has the right to do so and on such terms that are reasonable, provide Seller with such rights of use as Seller may reasonably require for such operations.
- (hhhh) "**Suspense Funds**" means proceeds of production and interest in respect of any of the Oil and Gas Assets that are payable to third parties and are being held in suspense by Seller as the operator of such Oil and Gas Assets.
- (iiii) "**Tangible Property**" means Seller's Interest in the Tangibles.
- (jjjj) "**Tangibles**" means the Facilities, and any and all tangible depreciable equipment and facilities that are located within, upon, or in the immediate vicinity of the Lands, or that are used or intended to be used in producing, gathering, processing, treating, dehydrating, measuring, transporting, making marketable or storing Petroleum Substances, excluding the Excluded Assets but including:
- (i) facilities for water injection or removal operations in respect of such Petroleum Substances;
  - (ii) the tangibles listed in Schedule A.7 and also including all equipment, machinery, fixtures and other tangible personal property and improvements located on, used or held for use or obtained in connection with the ownership or operation of the Lands, including tanks, boilers, plants, buildings, field offices and other structures, fixtures, injection facilities, saltwater disposal facilities, compressors and other compression facilities (whether installed or not), pumping units, flow lines, pipelines, gathering systems, treating or processing systems or facilities, meters, machinery, power and other utility lines, roads, computer and automation equipment, telecommunications equipment, field radio telemetry and associated frequencies and licences, pressure transmitters, central processing equipment, tools, spare parts, major warehouse inventory; and the vehicles identified in Schedule A.6 (and all equipment used in connection with such rolling stock,

including safety equipment, special tools, dynamometers, hand tools and fluid level equipment), and other appurtenances, improvements and facilities; and

- (iii) all pipes, casing, tubulars, fittings, and other spare parts, supplies, tools, and materials located on, used or held for use on or held as inventory (including in the Fort St. John Warehouse) in connection with the ownership or operation of the Lands and other Tangibles.
- (kkkk) "**Tax**" or "**Taxes**" (and with correlative meaning, "Taxable" and "Taxing") means any federal, state, provincial, local, foreign or other income, alternative, minimum, add-on minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, intangibles, windfall profits, gross receipts, value added, sales, use, goods and services, excise, customs duties, transfer, conveyance, mortgage, registration, stamp, documentary, recording, premium, severance, environmental, natural resources, real property, personal property, ad valorem, intangibles, rent, occupancy, licence, occupational, employment, unemployment insurance, social security, disability, workers' compensation, payroll, health care, withholding, estimated or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis, or in any other manner, including any interest, penalty or addition thereto, whether disputed or not.
- (llll) "**Tax Act**" means the *Income Tax Act* (Canada).
- (mmmm) "**Tax Return**" means any return, declaration, report, claim for refund, information return or other document (including any related or supporting estimates, elections, schedules, statements, or information) filed or required to be filed in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.
- (nnnn) "**Third Parties**" means any Person other than Seller, Buyer and their Affiliates.
- (oooo) "**Thirteenth Month Adjustment**" means a reconciliation pursuant to an agreement that provides that during a period (usually a calendar year) revenues and expenses (or either of them) will be distributed to or paid by one or more parties to the agreement on the basis of estimates thereof and that following the end of the period (usually the first calendar month after the end of the period), the actual amount of the revenues or costs will be determined and a reconciliation between the estimated amounts and the actual amounts will be made.
- (pppp) "**Title Documents**" means, except in respect of the Excluded Assets, any and all Leases, unit agreements, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, agreements for the construction, ownership and operation of facilities, contract operating agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring Working Interests and other rights to and in respect of:
  - (i) explore for, drill for, produce, take, use or market Petroleum Substances;
  - (ii) share in the production of Petroleum Substances;
  - (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances that are produced; and

(iv) acquire any of the rights described in subparagraphs (i) to (iii) above;

including those, if any, set out in Schedule A.1, but only to the extent that the foregoing subparagraphs (i) through (iv) pertain to Petroleum Substances within, upon or under the Lands.

- (qqqq) "**Transaction**" means the sale and purchase of the Oil and Gas Assets by Seller to Buyer as contemplated by this Agreement.
- (rrrr) "**Transaction Documents**" means this Agreement, the Specific Conveyances and any other agreements, instruments or documents entered into pursuant to this Agreement.
- (ssss) "**Transfer Taxes**" has the meaning set forth in Section 8.1(a).
- (tttt) "**Unscheduled Assets**" has the meaning set forth in Section 2.7(a).
- (uuuu) "**Wells**" means all producing, non-producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and similar wells located on or within the Lands, whether or not completed, including oil, gas, water, disposal, observation and injection wells located on the Lands, as described or identified in Schedule A.4.
- (vvvv) "**Whitemap Area**" means the area outlined in bold on the map attached as Schedule A.10.
- (wwww) "**Working Interest**" means an undivided percentage ownership interest, under a Lease, in the rights to explore and drill for, produce, take, win and remove the Petroleum Substances that are subject to the Lease, together with the associated liability for the said percentage of the costs and expenses of the said activities.

## 1.2 Other Definitions and Interpretive Matters

- (a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:
- (i) Calculation of Time Period. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a day other than a Business Day, the period in question shall end on the next succeeding Business Day.
- (ii) Dollars. Any reference in this Agreement to \$ means Canadian dollars.
- (iii) Schedules. All Schedules attached or annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule but not otherwise defined therein shall be defined as set forth in this Agreement.
- (iv) Gender and Number. Any reference in this Agreement to gender includes all genders, and words importing only the singular number include the plural and vice versa.
- (v) Headings. The provision of a table of contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or

interpretation of this Agreement. All references in this Agreement to any "Section" or "Article" are to the corresponding Section or Article of this Agreement unless otherwise specified.

- (vi) Herein. Words such as "herein," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires.
- (vii) Monetary References. Any reference in this Agreement to a monetary amount, including the use of the term "dollar" or the symbol "\$", shall mean the lawful currency of Canada unless the contrary is specified or provided for elsewhere in this Agreement.
- (viii) Including. The word "including" or any variation thereof means "including, without limitation," and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.
- (ix) No Strict Construction. Buyer, on the one hand, and Seller, on the other hand, participated jointly in the negotiation and drafting of this Agreement. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by Buyer, on the one hand, and Seller, on the other hand, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement. Without limitation as to the foregoing, no rule of strict construction construing ambiguities against the draftsperson shall be applied against any Person with respect to this Agreement.

## ARTICLE 2 PURCHASE AND SALE

### 2.1 Purchase and Sale

Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Seller shall sell, transfer, assign, convey and deliver, or cause to be sold, transferred, assigned, conveyed and delivered, the Oil and Gas Assets to Buyer, and Buyer shall purchase the Oil and Gas Assets from Seller pursuant to the Approval and Vesting Order.

### 2.2 Assumed Liabilities

Upon the terms and subject to the conditions of this Agreement, if Closing occurs, on the Closing Date, Buyer hereby assumes and agrees to discharge, when due (in accordance with their respective terms and subject to the respective conditions thereof), only the following Liabilities (collectively, the "**Assumed Liabilities**") and no others:

- (a) subject to Section 2.2(b):
  - (i) all Liabilities for debts and other liquidated amounts under the Assigned Contracts; and
  - (ii) all other Liabilities (excluding Environmental Liabilities) in respect of the Oil and Gas Assets or the operation, use or ownership thereto;

in each case to the extent that such Liabilities arise or accrue on or after the Closing Date; provided that, for greater certainty, nothing in this Section 2.2(a) shall affect the adjustments provided for under Sections 10.1 and 10.2 inclusive;

- (b) all Environmental Liabilities regardless when they arise or accrue;
- (c) all Permitted Encumbrances;
- (d) all Cure Costs;
- (e) all Taxes with respect to the Oil and Gas Assets;
- (f) all Transfer Taxes; and
- (g) all of Seller's Liabilities in connection with the Suspense Funds

### 2.3 Excluded Liabilities

Notwithstanding any provision in this Agreement to the contrary, Buyer shall not assume and shall not be obligated to assume or be obliged to pay, perform or otherwise discharge any Liability of Seller, and Seller shall be solely and exclusively liable with respect to all Liabilities of Seller, other than the Assumed Liabilities (such Liabilities other than Assumed Liabilities, collectively, the "**Excluded Liabilities**"). For purposes of clarity, and without limitation of the generality of the foregoing, the Excluded Liabilities shall include, without limitation, each of the following Liabilities of Seller, other than the Assumed Liabilities:

- (a) all indebtedness for borrowed money of Seller;
- (b) all guarantees of third party obligations by Seller and reimbursement obligations to guarantors of Seller's obligations or under letters of credit;
- (c) all accrued expenses and accounts payables;
- (d) those Actions and Proceedings set forth in the Disclosure Schedule
- (e) the Excluded Contracts and all Liabilities of the Seller pursuant to the Excluded Contracts;
- (f) all Liabilities of Seller to any owner or former owner of capital stock or warrants, or holder of indebtedness for borrowed money; and
- (g) drafts or checks outstanding at the Closing; and
- (h) any claims to the extent related to the Excluded Assets.

### 2.4 Licence Transfers

- (a) As soon as practicable after Closing, but in any event no later than five (5) Business Days following Closing, Seller shall prepare and where applicable, electronically submit an application to the applicable Governmental Authority for the Licence Transfers and Buyer or its nominee shall, where applicable, at the same time electronically ratify and sign such application.



- (b) If a Governmental Authority denies any Licence Transfers because of misdescription or other minor deficiencies in the application, Seller shall within five (5) Business Days of such denial correct the application and amend and re-submit the application for the Licence Transfers and Buyer or its nominee shall, where applicable, electronically ratify and sign such application.
- (c) In the event that Buyer is required to make any deposits or furnish any other form of security to a Governmental Authority in order to meet the qualification requirements of Buyer as specified in Section 6.8 in relation to facilitating the approval of any Licence Transfers by the applicable Governmental Authority, Buyer shall promptly make such deposit or furnish such other form of security as is required.

## **2.5 Specific Conveyances**

- (a) Buyer shall prepare the Specific Conveyances at its cost. If all Specific Conveyances are not prepared prior to the Closing Time, Buyer shall prepare them as soon as practicable after Closing, and in any event no later than thirty (30) days after Closing. It shall not be necessary for Specific Conveyances to have been executed prior to or at Closing by Third Parties. Promptly after Closing, and at Buyer's cost, Buyer shall deliver all Specific Conveyances to Third Parties and each applicable Governmental Authority in accordance with normal industry practices and the Approval and Vesting Order, and shall attend to the registration of Specific Conveyances with each applicable Governmental Authority in accordance with normal industry practices.
- (b) Buyer shall use all commercially reasonable efforts to become, as soon as reasonably practicable following Closing, the recognized and beneficial holder of the Oil and Gas Assets in the place and stead of Seller, and shall where Seller is the registering party, promptly take whatever steps are necessary to verify such registrations.
- (c) Subject to the requirements relating to Licence Transfers under Section 2.4, Buyer shall bear all out of pocket costs, fees and deposits of every nature and kind incurred (whether by Seller or Buyer) in registering any Specific Conveyances and registering any further assurances required to convey the Oil and Gas Assets to Buyer.
- (d) Any transfer or assignment of the legal interest of Seller or any Affiliate thereof in the Title Documents requiring notice to or consent from a third party shall not be assigned or transferred to Buyer until and unless the notice or consent requirements have been satisfied. Each Party shall use commercially reasonable efforts, as to matters within its control, to satisfy such requirements as of the Closing Date, and Buyer shall furnish any deposits or security reasonably required to complete such transfers and assignments in accordance with normal industry practices, the Approval and Vesting Order, the provisions of the Leases and the Contracts, and applicable Legal Requirements.

## **2.6 Assigned Contracts and Leases**

- (a) With respect to each Assigned Contract and Lease, Buyer shall provide evidence of its ability as required under the CCAA to perform the future obligations under each such Assigned Contract and Lease. Buyer and Seller shall take all steps required to obtain an order under s. 11.3 of the CCAA, such as furnishing timely requested and factually accurate affidavits, non-confidential financial information and other documents or information for filing with the Court and making Buyer's and Seller's employees and Representatives available to testify before the Court.

- (b) Buyer shall pay, perform or satisfy the Assumed Liabilities from time to time and as such Assumed Liabilities become due and payable or are required to be performed or satisfied in accordance with their respective terms.
- (c) Without limiting the provisions of Section 2.6(a), Buyer acknowledges that various bonds, surety bonds, letters of credit, guarantees, and/or cash deposits, including those set forth in Schedule B (collectively the "**Security Arrangements**") have been provided by Seller and/or its Affiliates to secure the payment and/or performance of certain of Seller's obligations related to the Oil and Gas Assets. Buyer acknowledges that Seller has no duty to maintain any Security Arrangements after the Closing. To the extent Seller and/or any of its Affiliates have any obligations pursuant to any Security Arrangement or have pledged or otherwise provided any property that secures any such Security Arrangement (collectively, "**Seller's Obligations**"), Buyer shall take such actions, as are necessary to cause Seller's Obligations arising under the Security Arrangements set forth in Schedule B (and such Security Arrangements) to be released and terminated, and any of Seller's property pledged or otherwise provided to secure such Security Arrangements returned to Seller, concurrent with the Closing. As to those Security Arrangements not listed in Schedule B, Buyer shall take such actions as are necessary to cause Seller's Obligations arising under such Security Arrangements (and such Security Arrangements) to be released and terminated, and any of Seller's property pledged or otherwise provided to secure such Security Arrangements returned to Seller, as soon as possible, acting reasonably, following Seller's notifying Buyer (or if earlier, Buyer's otherwise becoming aware) of such Security Arrangement.

## 2.7 Whitemap Area


- (a) The Parties acknowledge that although Seller has prepared, and Buyer has reviewed, the Schedules attached hereto diligently and with good faith, they recognize that there may be unintended omissions or misdescriptions. As such, the Parties acknowledge and agree that it is their intention that, in addition to those Oil and Gas Assets included and specified in the Schedules hereto, the Oil and Gas Assets shall include Seller's entire interest in and to all Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests (as those terms are defined herein) which fall within the Whitemap Area, any of such additional unscheduled Oil and Gas Assets, if any, being the "**Unscheduled Assets**", and that the Purchase Price includes consideration for such Unscheduled Assets.
- (b) To the extent that any Unscheduled Assets are identified by either Party after the Closing Date, the Parties shall use all reasonable efforts to replace the affected Schedules attached hereto with corrected Schedules, which corrected Schedules shall be deemed to be the applicable Schedule as of the date hereof, and to take such additional steps as are necessary to specifically convey Seller's interest in such Unscheduled Assets to Buyer

## 2.8 Further Assurances

The Parties agree to (a) furnish upon request to each other such further information, (b) execute, acknowledge and deliver to each other such other documents, and (c) do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the Transaction Documents; provided that nothing in this Section 2.8 shall prohibit Seller from ceasing operations or winding up its affairs (including, without limitation, through a bankruptcy) following the Closing.

**ARTICLE 3  
PURCHASE PRICE**

**3.1 Purchase Price**

- (a) The purchase price for the purchase, sale, assignment and conveyance of Seller's right, title and interest in, to and under the Oil and Gas Assets shall consist of the following (collectively, the "**Base Purchase Price**"):
  - (i) cash in an amount equal to 
  - (ii) the assumption of the Assumed Liabilities.

Notwithstanding the foregoing, the Base Purchase Price shall be adjusted as provided in Sections 10.2 and 10.3 hereof (as adjusted, the "**Purchase Price**"). The cash components of the Purchase Price shall be delivered by Buyer as set forth in Section 4.2.




- (b) In the determination of the Base Purchase Price payable for the Oil and Gas Assets, the Parties agree that the extent and value of past, present and future environmental, abandonment or reclamation liabilities related to the Oil and Gas Assets is unknown as of the Closing Date, and the Parties have not attributed a specific or agreed to value with regard to either (i) such liabilities, or (ii) the indemnities provided for in this Agreement, nor shall there be any adjustments made to the Base Purchase Price in relation thereto.

**3.2 Deposit**

The Parties acknowledge that the Deposit has been paid to the Escrow Agent concurrent with the entering into of this Agreement. Upon Closing, the Deposit shall be applied to the Purchase Price. The Deposit will be held by the Escrow Agent and disbursed strictly in accordance with the Deposit Escrow Agreement attached hereto as Schedule D. Upon Closing, the Deposit (plus any interest that has actually accrued thereon) shall be released by the Escrow Agent to Seller and applied to the Purchase Price in accordance with Section 14.3. If Closing does not occur, the Deposit (plus any interest that has actually accrued thereon) shall be subject to the terms of Section 14.3.

**3.3 Allocation of Purchase Price**

The Parties shall allocate the Base Purchase Price for all purposes (including for purposes of the GST and the Tax Act), as follows:

- (a) Miscellaneous Interests 
- (b) Tangibles 
- (c) Petroleum and Natural Gas Rights 

**ARTICLE 4  
CLOSING**

**4.1 Closing Date**

Upon the terms and subject to the conditions hereof, the closing of the sale of the Oil and Gas Assets and the assumption of the Assumed Liabilities contemplated hereby (the "**Closing**") shall take

place at 9:00 a.m., Mountain Daylight Time ("**Closing Time**"), at the offices of Seller in Calgary, Alberta or such other place as may be agreed upon in writing by the Parties, no later than five (5) Business Days following the date on which the Approval and Vesting Order is granted, provided that the conditions set forth in Article 11 and Article 12 have been satisfied or, if permissible, waived, excepting the conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, if permissible, waiver of such conditions. The date and time at which the Closing actually occurs is hereinafter referred to as the "**Closing Date**".

#### **4.2 Payment on the Closing Date**

Subject to satisfaction or, if permissible, waiver of the conditions set forth in Article 11 and Article 12, at the Closing, Buyer shall pay, or cause to be paid, the Purchase Price, less the Deposit (plus any interest that has actually accrued thereon), by wire transfer of immediately available funds to an account specified in writing by Seller prior to the Closing Date. Contemporaneously with such payment from Buyer to Seller at the Closing, the Parties shall instruct the Escrow Agent to release the Deposit (plus any interest that has actually accrued thereon) to Seller.

#### **4.3 Buyer's Deliveries**

At the Closing, Buyer shall deliver or cause to be delivered to Seller (or such other Persons where so designated):

- (a) the cash consideration referenced in Section 3.1(a)(i) to Seller in accordance with Section 4.2;
- (b) a certificate of status of Buyer;
- (c) each other Transaction Document to which Buyer is a party, duly executed (and acknowledged, where applicable) by Buyer, including the General Conveyance, and those Specific Conveyances available as at the Closing Date;
- (d) the certificates of Buyer to be received by Seller pursuant to Sections 12.1 and 12.3;
- (e) a counterpart of the Interim Statement of Adjustments executed by Buyer;
- (f) evidence (including evidence of satisfaction of all applicable bonding or insurance requirements) as Seller may reasonably request, at least three (3) Business Days prior to Closing, demonstrating that Buyer is qualified with the applicable Governmental Authorities and pursuant to any applicable operating agreement to succeed Seller as the registered owner and, where applicable, the operator of the Oil and Gas Assets;
- (g) such other assignments and other good and sufficient instruments of assumption and transfer, in a form reasonably satisfactory to Seller, as Seller may reasonably request, at least three (3) Business Days prior to Closing, to transfer and assign the Assumed Liabilities to Buyer; and
- (h) any other documents required to be delivered by Buyer to Seller at Closing pursuant to this Agreement.

#### **4.4 Seller's Deliveries**

At the Closing, Seller shall deliver to Buyer:

- (a) the General Conveyance, the Specific Conveyances, as available, and each other Transaction Document to which Seller is party, duly executed by Seller;
- (b) a certified copy of the Approval and Vesting Order;
- (c) the certificates of Seller to be received by Buyer pursuant to Sections 11.1 and 11.2;
- (d) a counterpart of the Interim Statement of Adjustments executed by Seller; and
- (e) any other documents required to be delivered by Seller to Buyer at Closing pursuant to this Agreement.

## ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF SELLER

Except as disclosed in the Disclosure Schedule attached hereto, Seller represents and warrants the following to Buyer:

### 5.1 Organization and Good Standing

Seller is an entity duly organized and validly existing under the laws of the jurisdiction of its organization. Seller has the requisite corporate power and authority to own or lease and to operate and use its properties and to carry on its business as now conducted. Seller is qualified or licensed to do business and is in good standing in each jurisdiction where the character of its business or the nature of its properties makes such qualification or licensing necessary, except for such failures to be so qualified or licensed or in good standing as would not, individually or in the aggregate, have a Material Adverse Effect.

### 5.2 Authority, Validity and Consents

Seller has, subject to obtaining the Approval and Vesting Order, the requisite corporate power and authority necessary to enter into and perform its obligations under this Agreement and the other Transaction Documents to which Seller is a party and to consummate the Transaction contemplated hereby and thereby, and subject to obtaining the Approval and Vesting Order, the execution, delivery and performance of this Agreement and such other Transaction Documents by Seller and the consummation by Seller of the Transaction contemplated herein and therein has been duly and validly authorized by all requisite corporate action. This Agreement has been duly and validly executed and delivered by Seller and each other Transaction Document required to be executed and delivered by Seller at the Closing will be duly and validly executed and delivered by Seller at the Closing. Subject to obtaining the Approval and Vesting Order, this Agreement and the other Transaction Documents constitute, with respect to Seller, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforceability is limited by general principles of equity. Subject to obtaining the Approval and Vesting Order, to Seller's Knowledge, except:

- (a) for entry of the Approval and Vesting Order;
- (b) for notices, filings and consents required in connection with the CCAA Proceedings; and
- (c) for the notices, filings and consents set forth in the Disclosure Schedule;

Seller is not required to give any notice to, make any filing with or obtain any consent from any Person (including any Governmental Authority) in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation or performance of the Transaction, except as would not, individually or in the aggregate, have a Material Adverse Effect.

### **5.3 No Conflict**

When the consents and other actions described in Section 5.2, including the Approval and Vesting Order, have been obtained and taken, to Seller's Knowledge, the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the Transaction provided for herein and therein will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, or cause any acceleration of any obligation of Seller under (a) any agreement, indenture, or other instrument to which Seller is bound, (b) the certificate of incorporation, bylaws or other governing documents of Seller, (c) any Order or (d) any Legal Requirement, except as would not, individually or in the aggregate, have a Material Adverse Effect.

### **5.4 Legal Proceedings**

Except for the CCAA Proceedings and as set forth in the Disclosure Schedule, there is no Proceeding or Order pending, outstanding or, to Seller's Knowledge, threatened against Seller that seeks to restrain or prohibit or otherwise challenge the consummation, legality or validity of the Transaction or that would have, individually or in the aggregate, a Material Adverse Effect.

### **5.5 Residency**

Seller is not a non-resident of Canada for the purposes of the Tax Act.

### **5.6 GST**

Seller is a registrant for purposes of the ETA, and its registration number is 84674 2898 RT0001.

### **5.7 AFEs**

Except as set forth and described in Schedule A.9, Seller has no knowledge of any AFEs issued or approved by Seller with respect to the Oil and Gas Assets which amounts may become payable after the date hereof under which Seller's share will be greater than [REDACTED]

### **5.8 No Additional Representations and Warranties by Seller**

- (a) Notwithstanding anything to the contrary in this Agreement, Seller makes no representations or warranties except as expressly set forth in Sections 5.1 to 5.7 and in particular, and without limiting the generality of the foregoing, Seller disclaims and shall not be liable for any representation or warranty express or implied, of any kind, at law or in equity, that may have been made or alleged to be made in any instrument or document relative hereto, or in any statement or information made or communicated to Buyer in any manner including any opinion, information, or advice that may have been provided to Buyer by Seller or its Representatives in connection with the Oil and Gas Assets or in relation to the Transaction. For greater certainty, Seller does not make any representation or warranty, express or implied, of any kind, at law or in equity, with respect to:

- (i) the accuracy or completeness of any information supplied by Seller or its Representatives in connection with the Oil and Gas Assets;
- (ii) the quality, quantity or recoverability of any Petroleum Substances from the Lands;
- (iii) the value of the Oil and Gas Assets or any estimates of prices or future cash flows arising from the sale of any Petroleum Substances produced from or allocated to the Oil and Gas Assets or the Petroleum and Natural Gas Rights or any estimates of other revenues or expenses attributable to the Oil and Gas Assets;
- (iv) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
- (v) the quality, condition, fitness, suitability, serviceability or merchantability of any of the Tangibles; or
- (vi) the title of Seller to the Oil and Gas Assets.

Buyer acknowledges and confirms that it is relying on its own investigations concerning the Oil and Gas Assets and it has not relied on advice from Seller or its Representatives with respect to the matters specifically enumerated in the immediately preceding paragraphs in connection with the purchase of the Oil and Gas Assets pursuant hereto. Buyer further acknowledges and agrees that it is acquiring the Oil and Gas Assets on an "as is, where is" basis. Buyer acknowledges and agrees that it is familiar with the condition of the Oil and Gas Assets, including the past and present use of the Lands and the Tangibles, that Seller has provided Buyer with a reasonable opportunity to inspect the Oil and Gas Assets at the sole cost, risk and expense of Buyer (insofar as Seller could reasonably provide such access) and that Buyer is not relying upon any representation or warranty of Seller as to the condition, environmental or otherwise, of the Oil and Gas Assets, except as expressly contained in Sections 5.1 to 5.7.

- (b) Except for its express rights under this Agreement, Buyer hereby waives all rights and remedies (whether now existing or hereinafter arising and including all equitable, common law, tort, contractual and statutory rights and remedies) against Seller in respect of the Oil and Gas Assets or the Transaction or any representations or statements made, direct or indirect, express or implied, or information or data furnished to Buyer or its Representatives, in connection herewith (whether made or furnished orally or by electronic, faxed, written or other means).

## ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

### 6.1 Organization and Good Standing

Buyer is a corporation, duly organized, validly existing and in good standing under the laws of the Province of Alberta and is registered to conduct business in the Province of British Columbia and to hold the Oil and Gas Assets. Buyer has the requisite power and authority to own or lease and to operate and use its properties and to carry on its business as now conducted.

## **6.2 Authority, Validity and Consents**

Buyer has the requisite power and authority necessary to enter into and perform its obligations under this Agreement and the other Transaction Documents to which it is a party and to consummate the Transaction. The execution, delivery and performance of this Agreement by Buyer and the consummation by Buyer of the Transaction have been duly and validly authorized by all requisite corporate actions in respect thereof. This Agreement has been duly and validly executed and delivered by Buyer and each other Transaction Document to which Buyer is a Party will be duly and validly executed and delivered by Buyer, as applicable, at the Closing. This Agreement and the other Transaction Documents to which Buyer is a party constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their respective terms, except in each case as such enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or general principles of equity. Buyer is not or will not be required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Agreement and the other Transaction Documents to which it is a party or the consummation or performance of any of the Transaction, except for such notices, filings and consents, the failure of which to provide, make or obtain, would not, individually or in the aggregate, have a Material Adverse Effect on Buyer's ability to perform its obligations under this Agreement or any other Transaction Documents or to consummate the Transaction.

## **6.3 No Conflict**

When the consents and other actions described in Section 6.2 have been obtained and taken, the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the Transactions will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, or cause any acceleration of any obligation of Buyer under (a) any agreement, indenture, or other instrument to which it is bound, (b) the constating documents of Buyer, as applicable, (c) any Order or (d) any Legal Requirement, except as would not, individually or in the aggregate, have a Material Adverse Effect.

## **6.4 Availability of Funds**

As of the Closing, Buyer will have sufficient cash in immediately available funds (without giving effect to any unfunded financing, regardless of whether any such financing is committed) to pay the Purchase Price, all costs, fees and expenses to be paid by Buyer that are necessary to consummate the Transaction and the other Transaction Documents, and assume and satisfy the Assumed Liabilities.

## **6.5 Litigation**

There are no Proceedings pending or, to the Knowledge of Buyer, threatened, that would affect Buyer's ability to perform its obligations under this Agreement or any other Transaction Documents or to consummate the Transaction.

## **6.6 Brokers or Finders**

Neither Buyer nor any Person acting on behalf of Buyer has paid or become obligated to pay any fee or commission to any broker, finder, investment banker, agent or intermediary for or on account of the Transaction for which Seller is or will become liable, and Buyer shall hold harmless and indemnify Seller from any claims with respect to any such fees or commissions.



### **6.7 Business Use, Bargaining Position, Representation**

Buyer is purchasing the Oil and Gas Assets for commercial or business use and has knowledge and experience in financial and business matters that enables it to evaluate the merits and the risks of a transaction such as the Transaction. Buyer is not in a significantly disparate bargaining position with Seller and is represented by legal counsel.

### **6.8 Qualification**

Buyer meets, or will meet prior to Closing, all qualification requirements of Governmental Authorities, including BCOGC, necessary to complete the Licence Transfers and to consummate the Transaction, and other than the Regulatory Approvals, there are no regulatory approvals or rulings required to be obtained by Buyer, that have not already been obtained, to complete the Transaction and the Licence Transfers.

## **ARTICLE 7 ACTIONS PRIOR TO THE CLOSING DATE**

### **7.1 Due Diligence**

Buyer acknowledges that it has, prior to the execution hereof, been given an opportunity to:

- (a) review Seller's title to the Oil and Gas Assets; and
- (b) conduct an environmental review of the Oil and Gas Assets;

and that it has satisfied itself in regard to both Seller's title to the Oil and Gas Assets and all environmental matters relating to the Oil and Gas Assets, including any past, present or future Environmental Liabilities. Buyer expressly waives all defects relating either to Seller's title to the Oil and Gas Assets or to environmental matters relating to the Oil and Gas Assets, whether disclosed by Buyer's review or otherwise.

### **7.2 Operations Prior to the Closing Date**

Seller covenants and agrees that, except (a) as expressly contemplated by this Agreement, (b) as disclosed in the Disclosure Schedule, (c) with the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed) or (d) as otherwise required by Legal Requirements, during the Interim Period:

- (a) Seller shall:
  - (i) use commercially reasonable efforts, taking into account Seller's status as debtor in possession in the CCAA Proceedings, to maintain and operate the Oil and Gas Assets that are operated by Seller as a reasonably prudent operator or cause such Oil and Gas Assets to be operated as a reasonably prudent operator in the ordinary course of business;
  - (ii) pay or cause to be paid all post-filing bonuses and rentals, royalties, overriding royalties, shut-in royalties, and minimum royalties and development and operating expenses, and other payments incurred with respect to the Oil and Gas Assets operated by Seller except (A) royalties held in suspense as a result of title issues and that do not give any third party

a right to cancel an interest in any Oil and Gas Assets operated by Seller, and (B) expenses or royalties being contested in good faith, unless the nonpayment of such contested expenses or royalties could result in the termination of a Lease, in which case Seller will notify Buyer and obtain Buyer's approval prior to withholding such payment;

- (iii) maintain its books, accounts and records in accordance with past custom and practice;
  - (iv) maintain the personal property comprising part of the Oil and Gas Assets operated by Seller in at least as good a condition as it is on the date hereof, subject to ordinary wear and tear; and
  - (v) use commercially reasonable efforts, taking into account Seller's status under the CCAA, to retain Seller Employees who are necessary to conduct the business as it is currently being conducted.
- (b) Seller shall not:
- (i) abandon any Oil and Gas Asset (except any abandonment of Leases to the extent any such Leases terminate pursuant to their terms);
  - (ii) commence, propose, or agree to participate in any single operation with respect to the Wells or Leases with an anticipated cost in excess of [REDACTED] [REDACTED] except for emergency operations, operations scheduled under the AFEs, or operations required by any Governmental Authority;
  - (iii) terminate, cancel, or materially amend or modify any Lease;
  - (iv) sell, lease, encumber, or otherwise dispose of all or any portion of any Oil and Gas Assets, except sales of Petroleum Substances in the ordinary course of business;
  - (v) grant to any Seller Employee any increase in compensation except in the ordinary course of Seller's business and consistent with past practice or pursuant to an order granted in the CCAA Proceedings; or
  - (vi) enter into any agreement or commitment to take any action prohibited by this Section 7.2(b).

### 7.3 Commercially Reasonable Efforts

- (a) Seller and Buyer shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Transaction, including using commercially reasonable efforts to accomplish the following:
- (i) the taking of all reasonable acts necessary to cause the conditions precedent set forth in Article 11 and Article 12 to be satisfied;
  - (ii) the obtaining, at the earliest practicable date, of all necessary Governmental Authorizations, Regulatory Approvals and the making of all necessary registrations, declarations and filings (including registrations, declarations and filings with

Governmental Authorities, if any) and the taking of all reasonable steps as may be necessary to avoid any Proceeding by any Governmental Authority; and

- (iii) the execution or delivery of any additional instruments necessary to consummate the Transaction and to fully carry out the purposes of this Agreement.
- (b) Seller, on the one hand, and Buyer, on the other hand:
- (i) shall promptly inform each other of any communication from any Governmental Authority concerning this Agreement, the Transaction, and any filing, notification or request for approval; and
  - (ii) shall permit the other to review in advance any proposed written or material oral communication or information submitted to any such Governmental Authority in response thereto. In addition, no Party shall agree to participate in any meeting with any Governmental Authority in respect of any filings, investigation or other inquiry with respect to this Agreement or the Transaction, unless such Party consults with the other Party in advance and, to the extent permitted by any such Governmental Authority, gives the other Party the opportunity to attend and participate thereat, in each case to the maximum extent practicable. Subject to any restrictions under applicable laws, rules or regulations, each of Buyer, on the one hand, and Seller, on the other hand, shall furnish the other with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and its Affiliates and their respective Representatives on the one hand, and the Governmental Authority or members of its staff on the other hand, with respect to this Agreement, the Transaction (excluding documents and communications that are subject to pre-existing confidentiality agreements or to the solicitor-client privilege or litigation work product privilege) or any such filing, notification or request for approval. Each Party shall also furnish the other Party with such necessary information and assistance as such other Party and its Affiliates may reasonably request in connection with their preparation of necessary filings, registration or submissions of information to the Governmental Authority in connection with this Agreement, the Transaction and any such filing, notification or request for approval.
- (c) Subject to the terms and conditions of this Agreement,
- (i) Buyer shall take any and all reasonable steps necessary to avoid or eliminate any impediments under any applicable antitrust, competition or trade regulation laws that may be asserted by any Governmental Authority with respect to the Transaction so as to enable the Closing to occur as soon as reasonably possible; and
  - (ii) Buyer shall take any and all reasonable steps necessary to meet all qualification requirements of Governmental Authorities, including BCOGC, necessary to complete the Licence Transfers and to consummate the Transaction.
- (d) Seller will use best efforts to obtain a sealing order with respect to the commercial terms of the Transaction, as agreed to between Buyer and Seller, each acting reasonably.

#### 7.4 Court Approval

- (a) Seller and Buyer acknowledge that this Agreement and the sale of the Oil and Gas Assets and the assumption and assignment of the Assigned Contracts and Leases are subject to Court approval.

Seller and Buyer acknowledge that to obtain such approval, Seller must demonstrate that it has taken reasonable steps to obtain the best offer possible for the Oil and Gas Assets, and that such demonstration shall include giving notice of the transactions contemplated by this Agreement to creditors and other interested parties as ordered by the Court. Seller covenants to bring the application for the Approval and Vesting Order to the Court, and the Buyer covenants to support such application.

- (b) In the event an appeal is taken, or a stay pending appeal is requested, from the Approval and Vesting Order, Seller shall promptly notify Buyer of such appeal or stay request and shall provide to Buyer promptly a copy of any related notice of appeal or order of stay. Seller shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders.
- (c) Buyer acknowledges that the Transaction will close notwithstanding the appeal period has not yet expired.
- (d) From and after the date of execution of this Agreement and prior to the Closing or the termination of this Agreement in accordance with Section 14.1, Seller shall not take any action that is intended to (or is reasonably likely to), or fail to take any action the intent (or the reasonably likely result) of which failure to act is to, result in the reversal, voiding, modification or staying of the Approval and Vesting Order or this Agreement.

## ARTICLE 8 TAXES

### 8.1 Taxes

- (a) Any transfer, documentary, sales (including goods and services tax), use, stamp, registration and other similar Taxes, and all conveyance fees, recording charges and other similar fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (collectively, the "**Transfer Taxes**") shall be borne by Buyer. Seller and Buyer shall use commercially reasonable efforts and cooperate in good faith to reduce or eliminate any Transfer Taxes applicable to the sale and transfer of the Oil and Gas Assets. Buyer will, at its own expense, file all necessary Tax Returns and other documentation with respect to all Transfer Taxes, and, if required by applicable law, the Parties will, and will cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.
- (b) Buyer and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Oil and Gas Assets (including access to books and records and Tax Returns and related working papers dated before Closing) as is reasonably necessary for the filing of all Tax Returns, the making of any election relating to Taxes, the preparation for any audit by any taxing authority, the prosecution or defense of any claims, suit or proceeding relating to any Tax, and the claiming by Buyer of any federal, provincial or local business tax credits or incentives that Buyer may qualify for in any of the jurisdictions in which any of the Oil and Gas Assets are located; provided however, that neither Buyer nor Seller shall be required to disclose the contents of its income Tax Returns to any Person. Any expenses incurred in furnishing such information or assistance pursuant to this Section 8.1(b) shall be borne by the Party requesting it.

ARTICLE 9  
EMPLOYEES

9.1 Employee Matters

- (a) [REDACTED]
- (b) [REDACTED]
  - (i) [REDACTED]
  - (ii) [REDACTED]
- (c) [REDACTED]
  - (i) [REDACTED]
  - (ii) [REDACTED]
  - (iii) [REDACTED]
  - (iv) [REDACTED]
- (d) [REDACTED]
- (e) [REDACTED]
- (f) [REDACTED]
- (g) [REDACTED]
- (h) [REDACTED]

**ARTICLE 10  
ADJUSTMENTS**

**10.1 Adjustments**

- (a) Except as otherwise provided in this Article 10, Section 10.2 or Section 10.3:
- (i) the Parties shall adjust and apportion all costs, obligations, benefits and revenues of every kind and nature incurred, payable or paid in respect of the Oil and Gas Assets as at the Effective Time, including capital costs, operating costs, lease rentals, royalty obligations, and Taxes, other than income taxes; and
  - (ii) all such accounting adjustments and apportionments made hereunder shall be made on the accrual basis, as described in Section 10.1(b), and in accordance with generally accepted Canadian accounting principles and generally accepted Canadian oil and gas industry practices.
- (b) All costs incurred in connection with work performed or goods or services provided in respect of the Oil and Gas Assets shall be deemed to have accrued in accordance with generally accepted accounting principles and generally accepted Canadian oil and gas industry practices as of the date the work was performed or the goods or services were delivered, regardless of the times such costs become payable.
- (c) Seller shall be entitled to a credit to the extent that it has paid any operating cost advances, capital cost advances, authorities for expenditure and similar prepayments in respect of the Oil and Gas Assets that are applied to pay for work performed after the Effective Time.
- (d) All Leased Substances in inventory that have been produced from the Lands prior to the Effective Time do not comprise part of the Oil and Gas Assets and remain the property of Seller and the proceeds from the sale thereof shall accrue and belong to Seller. All other Leased Substances shall comprise part of the Oil and Gas Assets, and the proceeds from the sale thereof shall accrue and belong to Buyer, provided that Closing occurs.
- (e) Seller shall be entitled to all overhead recoveries forming part of operator's fees associated with the Oil and Gas Assets and charged to Third Parties for all periods up to the Effective Time.
- (f) All rentals and similar payments, property taxes (including freehold mineral taxes) and other periodic costs (other than capital taxes and income taxes) that relate to the Oil and Gas Assets and are payable in respect of a period of time that straddles the Effective Time shall be apportioned between Seller and Buyer on a per diem basis as of the Effective Time.
- (g) Any payment or liability resulting from a Thirteenth Month Adjustment shall be apportioned between Seller and Buyer as at the Effective Time on the same basis (whether on a throughput, per diem or other basis) as the Thirteenth Month Adjustment is allocated to the parties to the agreement under which it is made. Buyer and Seller shall cooperate to ensure that all Thirteenth Month Adjustments are up-to-date through the Closing Date by no later than 90 days following the Closing Date.
- (h) For the avoidance of doubt, Buyer shall not be entitled to a credit (and there shall be no adjustment made) in respect of the payment of any security deposit by Buyer as contemplated under Section 2.4(c) except to the extent such security deposit arises solely as a result of the

asset-specific deemed assets compared to deemed liabilities for the Oil and Gas Assets as determined by the BCOGC.

## **10.2 Interim Statement of Adjustments**

Attached as Schedule F hereto is an estimate of the statement of all adjustments (the "**Interim Statement of Adjustments**") to be made pursuant to Article 10 in respect of the costs paid or payable and revenues received or receivable by Seller prior to Closing and assuming Closing occurs on October 17, 2016. The Interim Statement of Adjustments shall be prepared on the basis of Seller's good faith estimate of the costs and revenues attributable to the Oil and Gas Assets prior to the Closing Date. At the time it delivers the Interim Statement of Adjustments, Seller shall make available to Buyer all information reasonably necessary for Buyer to understand and confirm the calculations in such statement. Any amount deemed owing by one Party to another pursuant to the Interim Statement of Adjustments shall be used to calculate the payment made by Buyer at Closing pursuant to Section 4.2, subject only to such changes as maybe necessary to update the calculations set forth therein if the Closing Date does not occur on October 17, 2016.

## **10.3 Adjustment Post Closing**

- (a) As soon after the Closing Date as reasonably practicable, and in any event within 90 days following the Closing Date, the Parties shall cooperate in preparing, on the basis of information available within such period, a final statement of all adjustments and payments to be made pursuant to Article 10 (the "**Final Statement of Adjustments**") using the same principles as the Interim Statement of Adjustments. If the Parties are unable to agree upon the Final Statement of Adjustments the Parties shall escalate the matter to the senior executive level for final resolution within 30 days.
- (b) After the Final Statement of Adjustments has been determined no further adjustments to the Purchase Price will be made between the Parties pursuant to this Section 10.3.

## **10.4 Payments Received**

Seller, on the one hand, and Buyer, on the other hand, each agree that, after the Closing, each will hold and will promptly transfer and deliver to the other, from time to time as and when received by them, any cash, cheques with appropriate endorsements (using their best efforts not to convert such cheques into cash) or other property that they may receive on or after the Closing and that properly belongs to the other and will account to the other for all such receipts.

## **10.5 ROFRs**

Although Seller has provided a list of ROFRs in Schedule A.5 for informational purposes only, the Buyer shall be solely responsible for the identification of, and compliance with, any ROFRs affecting the Assets and shall indemnify and hold harmless Seller and its Representatives from any claims with respect to Losses and Liabilities made by a Third Party relating to any ROFRs. There shall be no reduction or abatement of the Purchase Price due to the exercise of any ROFR and Buyer shall be entitled to the exercise price from the holder of that ROFR.

**ARTICLE 11**  
**CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER TO CLOSE**

The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions, failing which Buyer shall be entitled in its sole discretion to terminate this Agreement:

**11.1 Accuracy of Representations**

The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing (provided that representations and warranties that are confined to a specified date shall speak only as of such date). Buyer shall have received a certificate of Seller to such effect signed by a duly authorized officer thereof. If Buyer determines that there has been a breach or inaccuracy of any of Seller's representations and warranties, it shall provide Seller with notice of such breach or inaccuracy as promptly as reasonably practicable so that Seller may attempt to cure such breach or inaccuracy to Buyer's reasonable satisfaction on or before the Closing Date.

**11.2 Seller's Performance**

The covenants and agreements that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing shall have been duly performed and complied with in all material respects (except that those covenants and agreements that are qualified as to materiality or Material Adverse Effect or similar expressions shall have been duly performed and complied with in all respects), and Buyer shall have received a certificate of Seller to such effect signed by a duly authorized officer thereof.

**11.3 No Order**

No Governmental Authority shall have enacted, issued, promulgated or entered any Order that is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or could cause any of such transactions to be rescinded following the Closing.

**11.4 Seller's Deliveries**

Each of the deliveries required to be made to Buyer pursuant to Section 4.4 shall have been so delivered.

**11.5 Approval and Vesting Order**

The Court shall have entered the Approval and Vesting Order and the Approval and Vesting Order shall be in full force and effect.

**11.6 Material Adverse Effect**

From the date hereof until Closing, the Oil and Gas Assets shall have suffered no Material Adverse Effect.



**11.7 Regulatory Approvals**

The Regulatory Approvals shall have been obtained, including the Licence Transfers, or the Parties shall have determined that such outstanding Regulatory Approvals are not required.

**ARTICLE 12  
CONDITIONS PRECEDENT TO THE OBLIGATION OF SELLER TO CLOSE**

Seller's obligation to consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions, failing which Seller shall be entitled in its sole discretion to terminate this Agreement:

**12.1 Accuracy of Representations**

The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects (except that those representations and warranties that are qualified as to materiality or similar expressions shall be true and correct in all respects) as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (provided that representations and warranties that are confined to a specified date shall speak only as of such date), and Seller shall have received a certificate of Buyer to such effect signed by a duly authorized officer thereof.

**12.2 Approval and Vesting Order in Effect**

The Court shall have entered the Approval and Vesting Order and the Approval and Vesting Order shall be in full force and effect.

**12.3 Buyer's Performance**

The covenants and agreements that Buyer is required to perform or to comply with pursuant to this Agreement at or prior to the Closing shall have been performed and complied with in all material respects (except that those covenants and agreements that are qualified as to materiality or similar expressions shall have been duly performed and complied with in all respects), and Seller shall have received a certificate of Buyer to such effect signed by a duly authorized officer thereof.

**12.4 No Order**

No Governmental Authority shall have enacted, issued, promulgated or entered any Order that is in effect and that has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or could cause any of such transactions to be rescinded following the Closing.

**12.5 Buyer's Deliveries**

Each of the deliveries required to be made to Seller pursuant to Section 4.3 shall have been so delivered.

**12.6 Regulatory Approvals**

The Regulatory Approvals shall have been obtained, including the Licence Transfers, or the Parties shall have determined that such outstanding Regulatory Approvals are not required.

**ARTICLE 13**  
**LIABILITIES AND INDEMNITIES**

**13.1 General Indemnity**

If Closing occurs the Buyer shall, without any further necessary action on the part of the Seller or the Buyer:

- (a) assume, perform, pay, discharge and be liable to the Seller for; and
- (b) as a separate covenant, save and hold harmless and indemnify the Seller and each other Seller Party from and against;

all Losses and Liabilities suffered, sustained, paid or incurred by any of them to the extent arising or accruing on or after the Closing Date and which relate to the Assets or the terms and conditions of the Title and Operating Documents, including but not limited to all Losses and Liabilities attributable to the operation, ownership, use, construction or maintenance of the Assets arising or accruing on or after the Closing Time. The Buyer's indemnity obligation set forth in this Section 13.1 shall survive the Closing Date for a [REDACTED]

**13.2 Environmental Indemnity**

- (a) The Buyer acknowledges that it:
  - (i) is familiar with the condition of the Assets, including the past and present use of the Assets, and it 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
  - (ii) is not relying upon any representation or warranty of the Seller as to the condition, environmental or otherwise, of the Assets.
- (b) The Buyer agrees that once Closing has occurred the Seller shall have no liability whatsoever for any Environmental Liabilities. In this regard, once Closing has occurred, the Buyer shall, without any further necessary action on the part of the Seller or the Buyer:
  - (i) be solely liable and responsible for all of the Seller's Losses and Liabilities; and
  - (ii) as a separate covenant, indemnify, save and hold the Seller and each other Seller Party harmless from and against all Losses and Liabilities that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a result of any act, omission, matter or thing related to any Environmental Liabilities arising, whether arising prior to, on or following the Closing Date, and the Buyer 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, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of the Seller or the Buyer or any other person or otherwise. The Buyer acknowledges and agrees that it shall not be entitled to any rights or remedies as against the Seller or any Seller Party under the common law or statute pertaining to any Environmental Liabilities, including the right to name the Seller or any Seller Party as a 'third party' to

any action commenced by any Person against the Buyer. The Buyer's indemnity obligation set forth in this Section 13.2(b) shall survive indefinitely.

### **13.3 No Merger**

There shall not be any merger of any liability or indemnity hereunder in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

## **ARTICLE 14 TERMINATION**

### **14.1 Grounds for Termination**

This Agreement may be terminated at any time prior to Closing;

- (a) by mutual written agreement of the Seller and the Buyer;
- (b) by either the Seller or the Buyer pursuant to the provisions of Article 11 or Article 12, as applicable; or
- (c) by either the Seller or the Buyer if Closing has not occurred on or before the Outside Date.

### **14.2 Effect of Termination**

If this Agreement is terminated by the Seller or the Buyer as permitted under Section 14.1, then Article 13, Section 15.2 and Section 15.9 shall remain in full force and effect following any such permitted termination, and the remedies available to the Parties in respect of such termination shall be governed by Section 14.3.

### **14.3 Disposition of Deposit**

If:

- (a) subject to Section 14.3(b), this Agreement is terminated prior to Closing for any reason other than pursuant to Sections 12.1, 12.3 or 12.5, the Deposit (plus any interest that has actually accrued thereon) shall be returned to Buyer; and
- (b) this Agreement is terminated prior to Closing pursuant to
  - (i) Sections 12.1, 12.3 or 12.5,
  - (ii) pursuant to Section 12.2 or 12.4 due solely to the actions or inactions of Buyer not made or taken in good faith, or
  - (iii) if the Non-Canadian Regulatory Approvals have not been obtained by the Outside Date and all other conditions set forth in Article 11 have been satisfied as of the Outside Date,

Seller shall be entitled to retain the Deposit (plus any interest that has actually accrued thereon) as liquidated damages, representing the Parties' genuine pre-estimate of the minimum quantum of damages that will have been sustained by Seller as a result of the failure to complete the Transaction.

**ARTICLE 15**  
**GENERAL PROVISIONS**

**15.1 Survival**

All covenants and agreements contained herein that by their terms are to be performed in whole or in part, or that prohibit actions, subsequent to the Closing shall, solely to the extent such covenants and agreements are to be performed, or prohibit actions, subsequent to the Closing, survive the Closing in accordance with their terms. Subject to the following sentence, all other covenants and agreements contained herein, and all representations and warranties contained herein or in any certificated deliveries hereunder, shall not survive the Closing and shall thereupon terminate, including any Actions for damages in respect of any breach thereof. Notwithstanding anything to the contrary, the indemnity obligations set forth in Sections 13.1 and 13.2 shall survive the Closing.

**15.2 Confidentiality**

The Parties agree that the confidentiality agreement entered into by them and their Affiliates or related parties, dated June 2, 2016 (the "**Confidentiality Agreement**"), shall continue in full force and effect notwithstanding the execution and delivery by the Parties of this Agreement; provided however, that (a) disclosure of matters that become a matter of public record as a result of the CCAA Proceedings and the filings related thereto (including without limitation any information disclosed in order to obtain the Approval and Vesting Order) shall not constitute a breach of such Confidentiality Agreement, and (b) disclosures permitted under this Agreement shall not constitute a breach of such Confidentiality Agreement.

**15.3 Public Announcements**

Unless otherwise required by applicable Legal Requirement or by obligations of Buyer or Seller or their respective Affiliates pursuant to any listing agreement with or rules of any securities exchange, Buyer, on the one hand, and Seller, on the other hand, shall consult with each other before issuing any press release or otherwise making any public statement with respect to this Agreement, the Transaction or the activities and operations of the other and shall not issue any such release or make any such statement without the prior written consent of the other (such consent not to be unreasonably withheld or delayed).

**15.4 Notices**

All notices, consents, waivers and other communications under this Agreement must be in writing and shall be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by email (with read receipt requested, with the receiving Party being obligated to respond affirmatively to any read receipt requests delivered by the other Party), (c) received by the addressee, if sent by a delivery service (prepaid, receipt requested) or (d) received by the addressee, if sent by registered or certified mail (postage prepaid, return receipt requested), in each case to the appropriate addresses and representatives (if applicable) set forth below (or to such other addresses and representatives as a Party may designate by notice to the other Parties):

- (a) If to Seller, then to:

Endurance Energy Ltd.  
c/o Burnet, Duckworth & Palmer LLP  
2400, 525 – 8 Avenue S.W.

Calgary, Alberta T2P 1G1

Attention: Carolyn A. Wright  
E-mail: caw@bdplaw.com

with a copy (which shall not constitute notice) to:

Thornton Grout Finnigan LLP  
Suite 3200, 100 Wellington Street West  
P.P Box 329, Toronto-Dominion Centre  
Toronto, Ontario M5K 1K7

Attention: Leanne Williams  
E-mail: lwilliams@tgf.ca

(b) If to Buyer, then to:

Shanghai Energy Corporation  
600, 444 – 5th Avenue S.W.  
Calgary, Alberta T2P 2T8

Attention: Wentao Yang  
E-mail: 

and with a copy (which shall not constitute notice) to:

McCarthy Tétrault LLP  
4000, 421 – 7th Avenue S.W.  
Calgary, Alberta T2P 4K9

Attention: Jim Pasioka  
E-mail: jpasieka@mccarthy.ca

### 15.5 Waiver, Waiver of Damages

Neither the failure nor any delay by any Party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement shall operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege shall preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no waiver that may be given by a Party shall be applicable except in the specific instance for which it is given, and (b) no notice to or demand on one Party shall be deemed to be a waiver of any right of the Party giving such notice or demand to take further action without notice or demand. Notwithstanding anything to the contrary contained herein, no party shall be liable to the other for special, indirect, exemplary or punitive damages arising out of, associated with, or relating to this Agreement (including loss of profit or business interruptions, however same may be caused) and the Parties hereby waive all claims for any such damages.

### **15.6 Entire Agreement; Amendment**

This Agreement (including the Schedules) and the other Transaction Documents supersede all prior agreements between Buyer, on the one hand, and Seller, on the other hand, with respect to its subject matter and constitute a complete and exclusive statement of the terms of the agreements between Buyer, on the one hand, and Seller, on the other hand, with respect to their subject matter. This Agreement may not be amended except by a written agreement executed by all of the Parties.

### **15.7 Assignment**

This Agreement, and the rights, interests and obligations hereunder, shall not be assigned by any Party by operation of law or otherwise without the express written consent of the other Party (which consent may be granted or withheld in the sole discretion of such other Party); provided however, that Buyer shall be permitted, upon prior notice to Seller (which notice shall expressly identify the name, address and contact information of any such assignee and which must be delivered on or before the third (3rd) Business Day following the date of execution hereof), to assign all or part of its rights or obligations hereunder to one or more of its Affiliates, but no such assignment shall relieve Buyer of its obligations under this Agreement.

### **15.8 Severability**

The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability.

### **15.9 Expenses**

Whether or not the transactions contemplated by this Agreement are consummated, the Parties shall bear their own respective expenses (including all compensation and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with this Agreement and the Transaction.

### **15.10 Post-Closing Books and Records and Personnel**

All of the information, materials and other records delivered to Buyer pursuant to the terms hereof shall be maintained in good order and good condition and kept in a reasonably accessible location by Buyer and its Affiliates for a period of two (2) years from the Closing Date or for any longer period as may be required under applicable Legal Requirements (the "**Retention Period**"). At any time prior to the expiration of the Retention Period, Buyer may destroy or give up possession of any such information or materials if it first delivers at least 20 days' prior notice to Seller containing a detailed listing of the information and materials proposed to be destroyed and offering Seller the opportunity, at the expense of Seller, to obtain delivery of or a copy of so much of such information or materials as Seller, as applicable, in its sole discretion, desires. Until the completion of the CCAA Proceedings or the liquidation and winding up of Seller's estates, Seller shall preserve and keep the information, materials and other records to be delivered to Buyer pursuant to the terms hereof and, at Buyer's sole expense, shall make such information, materials and other records, and Seller's personnel available to Buyer as may be

reasonably required by Buyer in connection with, among other things, any insurance claims by, Proceedings, Actions or Tax audits against, or governmental investigations of, Buyer or any of its Affiliates or in order to enable Buyer to comply with its obligations under this Agreement and each other Transaction Document.

**15.11 Successor Operator**

Seller shall use its commercially reasonable efforts to support Buyer's efforts to be appointed or to have a designee appointed as the successor operator of those Oil and Gas Assets that Seller currently operates. Notwithstanding the foregoing, Seller makes no representations or warranties to Buyer as to the transferability of operatorship of any Oil and Gas Assets that Seller currently operates. Rights and obligations associated with operatorship of the Oil and Gas Assets are governed by operating agreements or similar agreements and will be determined in accordance with the terms of such agreements.

**15.12 Time of Essence**

Time shall be of the essence with respect to all time periods and notice periods set forth in this Agreement.

**15.13 Governing Law; Consent to Jurisdiction and Venue;**

- (a) Except to the extent the mandatory provisions of the CCAA apply, this Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the Province of Alberta applicable hereto.
- (b) The Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes that may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the Transaction and any and all claims relating to the foregoing shall be filed and maintained only in the Court, and the Parties hereby consent and submit to the exclusive jurisdiction and venue of the Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such Action or Proceeding. The Parties consent to service of process by mail (in accordance with Section 15.4) or any other manner permitted by law.

**15.14 Parties in Interest; No Third Party Beneficiaries**

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. This Agreement is for the sole benefit of the Parties and their permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable benefit, claim, cause of action, remedy or right of any kind.

**15.15 Non-Recourse**

No past, present or future director, officer, employee, incorporator, member, partner or equity holder of Buyer or Seller shall have any Liability for any obligations or liabilities of such Party under this Agreement or any other Transaction Document, for any claim based on, in respect of, or by reason of the Transaction and thereby.

**15.16 Disclosure Schedules; Materiality**

The inclusion of any matter in the Disclosure Schedule shall be deemed to be an inclusion for all purposes of this Agreement, to the extent that such disclosure is sufficient to identify the matter to which such disclosure is responsive and reasonably apparent on its face, but inclusion therein shall not be deemed to constitute an admission, or otherwise imply, that any such matter is material or creates a measure for materiality for purposes of this Agreement. The disclosure of any particular fact or item in the Disclosure Schedule shall not be deemed an admission as to whether the fact or item is "material" or would constitute a "Material Adverse Effect".

**15.17 Counterparts**

This Agreement and any amendment hereto may be executed in two or more counterparts, each of which shall be deemed to be an original of this Agreement or such amendment and all of which, when taken together, shall constitute one and the same instrument. Notwithstanding anything to the contrary in Section 15.4, delivery of an executed counterpart of a signature page to this Agreement or any amendment hereto by facsimile or email attachment shall be effective as delivery of a manually executed counterpart of this Agreement or such amendment, as applicable.

*[Signature page follows]*



IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized representatives, all as of the day and year first above written.

**ENDURANCE ENERGY LTD.**

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

Name:

Title:

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

Name:

Title:

**SHANGHAI ENERGY CORPORATION**

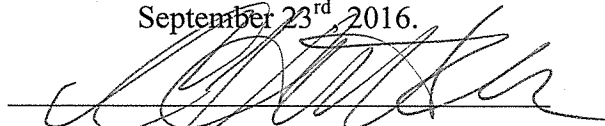
Per: \_\_\_\_\_

Name: Wentao Yang

Title: President and Chief Executive Officer

*(Signature Page to the Asset Purchase Agreement dated September 21, 2016 between Endurance Energy Ltd. and Shanghai Energy Corporation)*

This is Exhibit "B" referred to in the affidavit of Steven VanSickle sworn before me on  
September 23<sup>rd</sup> 2016.

A handwritten signature in black ink, appearing to read 'Carole J. Hunter', is written over a horizontal line.

A Commission of Oaths for  
the Province of Alberta  
**CAROLE J. HUNTER**  
Barrister & Solicitor

---

PRINT NAME AND EXPIRY/LAWYER  
/STUDENT-AT-LAW

---

**ASSET PURCHASE AGREEMENT  
DATED AS OF SEPTEMBER 21, 2016**

**BETWEEN**

**ENDURANCE ENERGY LTD.,**

**AS SELLER,**

**AND**

**1994450 ALBERTA INC.,**

**AS BUYER**

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## ASSET PURCHASE AGREEMENT

**THIS ASSET PURCHASE AGREEMENT** (this "**Agreement**") is made as of September 21, 2016 between Endurance Energy Ltd. ("**Endurance**"), an Alberta corporation ("**Seller**"), and 1994450 Alberta Inc., an Alberta corporation ("**Buyer**"). Capitalized terms used but not otherwise defined herein have the meanings set forth in Article 1. Seller and Buyer are sometimes referred to collectively herein as the "**Parties**" and individually as a "**Party**".

### RECITALS

**WHEREAS** Seller is engaged in the business of oil and natural gas exploration, development and production in the Province of Alberta and in the Province of Saskatchewan, and owns certain oil and gas leases and associated assets more particularly described in Schedule A;

**WHEREAS** on May 30, 2016, Seller commenced proceedings under the CCAA, and pursuant to the order of the Honourable Madam Justice Horner of the Court granted May 30, 2016, Seller has been operating under CCAA protection since that time;

**WHEREAS** Seller desires to sell to Buyer all of the Oil and Gas Assets, and Buyer desires to purchase from Seller all of the Oil and Gas Assets and assume all of the Assumed Liabilities, upon the terms and conditions hereinafter set forth;

**WHEREAS** Seller's ability to consummate the Transaction is subject to, among other things, the entry of the Approval and Vesting Order by the Court;

**NOW THEREFORE**, in consideration of the premises, the mutual promises herein made, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### ARTICLE 1 DEFINITIONS


#### 1.1 Definitions

For purposes of this Agreement, the following terms have the meanings specified or referenced below.

- (a) "**Abandonment and Reclamation Liabilities**" means all past, present and future obligations and liabilities to:
- (i) abandon the Wells and close, decommission, dismantle and remove all structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities and Tangibles that are or were located in or on the Lands or lands used or previously used in connection with the Lands; and
  - (ii) restore, remediate and reclaim any surface and subsurface locations of the Lands on which the Wells, structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities described in Section 1.1(a)(i) (including Wells, structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities which were abandoned or decommissioned prior to the date hereof) are or were located and all lands used to gain access to any of them;

- all in accordance with generally accepted industry practices in the province where the Assets are located and in compliance with all Legal Requirements and the Title and Documents.
- (b) "**Action**" means any legal action, suit or arbitration, or any inquiry, proceeding or investigation, by or before any Governmental Authority.
  - (c) "**Adjustment Escrow Agent**" means Burnet, Duckworth & Palmer LLP, or such other person as may be determined pursuant to the Adjustment Escrow Agreement.
  - (d) "**Adjustment Escrow Agreement**" means the escrow agreement means among Seller, Buyer and the Adjustment Escrow Agent relating to the Adjustment Escrow Amount, substantially in the form attached hereto as Schedule F.
  - (e) "**Adjustment Escrow Amount**" [REDACTED]
  - (f) "**AER**" means Alberta Energy Regulator.
  - (g) "**AFE**" means authorization for expenditure.
  - (h) "**Affiliate**" means with respect to a Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control of such Person where, for the purposes of this definition only, "control", "controlling" or "controlled" means the possession, direct or indirect, of the power to direct the management and policies of such other Person, whether through the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means.
  - (i) "**Agreement**" has the meaning set forth in the introductory paragraph.
  - (j) "**Approval and Vesting Order**" means an order of the Court approving the sale by Seller to Buyer of the Oil and Gas Assets in accordance with the provisions of this Agreement, and vesting all of Seller's right, title and interest in and to the Oil and Gas Assets in Buyer, in such form satisfactory to each of the Parties, acting reasonably.
  - (k) "**Assigned Contracts**" means all Contracts, including sales and purchase contracts, operating agreements, exploration agreements, development agreements, seismic licences, balancing agreements, farmout agreements, service agreements, transportation agreements, surface use agreements and other surface or subsurface rights agreements, processing, treatment and gathering agreements, equipment leases and other contracts, agreements and instruments, insofar as they relate to the Oil and Gas Assets (other than the Excluded Assets), including the Material Contracts, the Material Lease Agreements and the Title Documents other than the Leases.
  - (l) "**Assumed Liabilities**" has the meaning set forth in Section 2.2.
  - (m) "**Base Purchase Price**" has the meaning set forth in Section 3.1.
  - (n) "**Business Day**" means a day, other than a Saturday or Sunday, on which Canadian chartered banks are open for the transaction of domestic business in Calgary, Alberta.
  - (o) "**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.



- (p) "**CCAA Proceedings**" means the proceedings commenced by Seller under the CCAA in the Court having Court file number 1601-06765 and styled *In The Matter Of a Plan of Compromise Or Arrangement Of Endurance Energy Ltd.*, which is currently pending before the Court as of the date hereof.
- (q) "**Closing**" has the meaning set forth in Section 4.1.
- (r) "**Closing Date**" means the date as of which the Closing occurs as set forth in Section 4.1.
- (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 and includes the Commissioner's representatives, where the context requires.
- (t) "**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C 34, as amended.
- (u) "**Competition Act Approval**" means the occurrence of one or more of the following:
- (i) an advance ruling certificate (an "**ARC**") pursuant to Section 102 of the Competition Act shall have been issued by the Commissioner in respect of the Transaction on terms satisfactory to the Parties acting reasonably;
  - (ii) the Commissioner shall have waived the obligation to notify and supply information under Part IX of the Competition Act pursuant to Subsection 113(c) of the Competition Act ("**Waiver**") in respect of the Transaction and confirmed in writing that the Commissioner does not, at that time, intend to file an application under Section 92 of the Competition Act (a "**No-Action Letter**") in connection with the Transaction, on terms satisfactory to the Parties acting reasonably, and such Waiver and No-Action Letter remain in full force and effect; or
  - (iii) the Parties shall have notified the Commissioner of the Transaction under Section 114 of the Competition Act and the waiting period under Section 123 of the Competition Act shall have expired or been terminated and the Commissioner shall have issued a No-Action Letter in connection with the Transaction, on terms satisfactory to the Parties acting reasonably, and such No-Action Letter remains in full force and effect.
- (v) "**Confidentiality Agreement**" has the meaning set forth in Section 15.2.
- (w) "**Contract**" means any agreement, contract, obligation, promise or undertaking (in each case, whether written or oral), other than a Lease, that is legally binding.
- (x) "**Court**" means the Court of Queen's Bench of Alberta.
- (y) "**Cure Costs**" means in accordance with section 11.3(4) of the CCAA, any and all cure and reinstatement costs or expenses relating to the assignment and assumption of the Assigned Contracts to which Seller is party and that are included in the Oil and Gas Assets.
- (z) "**Deposit**" 
- (aa) "**Deposit Escrow Agreement**" means the escrow agreement among Seller, Buyer and the Escrow Agent relating to the Deposit referenced in Section 3.2.

- (bb) "**Disclosure Schedule**" means Schedule B.
- (cc) "**Effective Date**" means September 1, 2016.
- (dd) "**Employee Disclosure Letter**" means the letter prepared by Seller for Buyer setting out certain information relating to the Seller Employees, as described in Section 9.1(c).
- (ee) "**ECON**" means the Ministry of the Economy of the Saskatchewan Government.
- (ff) "**ECON Approval**" means approval by ECON of the transfer of the Oil and Gas Assets in the Province of Saskatchewan to the Buyer pursuant to this Agreement.
- (gg) "**Encumbrance**" means any charge, lien, claim, mortgage, lease, sublease, hypothecation, deed of trust, pledge, security interest, option, right of use or possession, right of first offer or first refusal, easement, servitude, restrictive covenant, encroachment, encumbrance, third party interest or other restriction or limitation of any kind.
- (hh) "**Environmental Laws**" means all common law and Legal Requirements relating to the protection of the environment and related employee and public health and safety, and without restricting the generality of the foregoing, includes those Legal Requirements relating to the discovery, development, production, gathering, use, storage, transmission, transportation, treatment and disposal of Petroleum Substances, the emission, discharge, release or threatened release of substances into or onto the air, water or land and the clean-up and remediation of contaminated sites, in each case insofar as the protection of the environment and related employee and public health and safety is concerned.
- (ii) "**Environmental Liabilities**" means, excluding the Existing Work Orders, all past, present and future obligations and liabilities of whatsoever nature or kind arising from or relating to, directly or indirectly:
  - (i) Environmental Matters;
  - (ii) past, present and future non-compliance with, violation of or liability under Environmental Laws relating to or arising in connection with the ownership or control of the Assets; or
  - (iii) Abandonment and Reclamation Liabilities,  
whenever occurring or arising.
- (jj) "**Environmental Matters**" means any activity, event or circumstance in respect of or relating to:
  - (i) the storage, use, holding, collection, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling, transportation or Release of Hazardous Substances;
  - (ii) the protection of the environment; or
  - (iii) pollution, reclamation, remediation or restoration of the environment;

in each case relating to or arising in connection with the ownership or control of the Lands or the Assets or that has or have arisen or hereafter arise from or in respect of past, present or future operations, activities or omissions in or on the Lands or in respect of the Assets, including obligations to compensate Third Parties for Losses and Liabilities.

- (kk) "**Excluded Assets**" means those assets set forth in Schedule C.
- (ll) "**Escrow Agent**" means FTI Consulting Canada Inc.
- (mm) "**ETA**" means Part IX of the *Excise Tax Act* (Canada).
- (nn) "**Excluded Liabilities**" has the meaning set forth in Section 2.3.
- (oo) "**Existing Work Orders**" means:
  - (i) all orders, including any well abandonment orders, or directives under (including notices of such by its operating counterparties) that requires any work, repairs, construction or capital expenditures with respect to the Oil and Natural Gas Assets, where such orders or directives have not been complied with in all material respects, including the payment of all amounts owing thereunder; and
  - (ii) any demand or notice issued under Environmental Laws with respect to the breach of such Environmental Law relating to the Oil and Natural Gas Assets,

which demand or notice, notice or work, including the payment of all amounts owing thereunder, remains outstanding on the date hereof.
- (pp) "**Facilities**" means the facilities identified in Schedule A.2.
- (qq) "**Final Statement of Adjustments**" has the meaning set forth in Section 10.4(a).
- (rr) "**General Conveyance**" means the general conveyance agreement in the form attached hereto as Schedule E.
- (ss) "**Governmental Authority**" means any federal, provincial, municipal, county or regional government or government authority or other law, regulation or rule making entity, including any court, department, commission, bureau, board, tribunal, administrative agency or regulatory body of any of the foregoing, that exercises jurisdiction over the Oil and Gas Assets or the Parties.
- (tt) "**Governmental Authorization**" means any approval, consent, licence, permit, waiver or other authorization issued, granted or otherwise made available by or under the authority of any Governmental Authority.
- (uu) "**Hazardous Substance**" means any "pollutant," "contaminant," "hazardous waste," "hazardous material," or "hazardous substance" that is or becomes identified, listed, published, or defined under any of the Environmental Laws.
- (vv) "**Interim Period**" means the period commencing on the date of this Agreement and ending on and including the Closing Date.
- (ww) "**Interim Statement of Adjustments**" has the meaning set forth in Section 10.2.

- (xx) "**Knowledge**" means (i) with respect to Seller, the actual knowledge (without any duty of inquiry) of any of the senior officers of Seller, and (ii) with respect to Buyer, the actual knowledge (without any duty of inquiry) of any of the senior officers of Buyer.
- (yy) "**Lands**" means all lands in the Whitemap Areas and any lands pooled or unitized therewith, as described in Schedule A.1 (subject to the restrictions and exceptions as to geological formations and Petroleum Substances as set forth in Schedule A.1).
- (zz) "**Leased Substances**" means Seller's Interest in all Petroleum Substances or rights to Petroleum Substances that are granted, reserved or otherwise conferred by or under the Title Documents.
- (aaa) "**Leases**" means the leases and licences of Petroleum Substances (or any of them) that are described in Schedule A.1, insofar as they relate to the Lands.
- (bbb) "**Legal Requirement**" means all laws, orders, statutes, rules, by-laws, decrees, regulations, directives, judgments, declarations and similar pronouncements made by the Crown or other Governmental Authority.
- (ccc) "**Liabilities**" means, in relation to a matter, any and all liabilities and obligations (whether under common law, in equity, under Legal Requirements or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which the Seller suffers, sustains, pays or incurs as a result of or in connection with such matter; but excluding indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by the Seller, but including any such indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by a Third Party entitled to recovery or indemnification from the Seller.
- (ddd) "**Licence Transfers**" means, other than the Specific Conveyances, any transfers or assignments of Licences.
- (eee) "**Licences**" means all governmental (whether federal, provincial or local) permits, licences, authorizations, franchises, grants, easements, variances, exceptions, consents, certificates, approvals and related instruments or rights of any Governmental Authority or other third party, and any writ, judgment, decree, award, order, injunction or similar order, writ, ruling, directive or other requirement of any Governmental Authority (in each such case whether preliminary or final) required of Seller pertaining to or used in connection with, the Petroleum and Natural Gas Rights or the Tangibles, excluding the Excluded Assets.
- (fff) "**Losses and Liabilities**" means, in relation to a matter, any and all:
  - (i) losses, costs, damages, expenses and charges (including all penalties, assessments and fines) which the Seller suffers, sustains, pays or incurs, directly or indirectly, in connection with such matter and includes reasonable costs of legal counsel (on a full indemnity basis) and other professional advisors and reasonable costs of investigating and defending Actions arising from the matter, regardless of whether such Actions are sustained and includes taxes payable on any settlement payment or damage award in respect of such matter; and
  - (ii) liabilities and obligations (whether under common law, in equity, under Legal Requirements or otherwise; whether tortious, contractual, vicarious, statutory or

otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which the Seller suffers, sustains, pays or incurs as a result of or in connection with such matter;

but excluding indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by the Seller, but including any such indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by a Third Party entitled to recovery or indemnification from the Seller.

(ggg) "**Material Adverse Effect**" means any change, event or occurrence that individually or in the aggregate (taking into account all other such changes, events or occurrences) has had, or would be reasonably likely to have, a material adverse change in or material adverse effect on the Oil and Gas Assets or Seller's business (excluding the Excluded Assets and the Excluded Liabilities) on the one hand, and Buyer's ability to consummate the Transaction on the other hand, in each case taken as a whole, but excluding:

- (i) any change or effect to the extent that it results from or arises out of the pendency of the CCAA Proceedings;
- (ii) the execution and delivery of this Agreement or the announcement thereof or consummation of the Transaction;
- (iii) changes in (or proposals to change) Legal Requirements, generally accepted accounting principles or other accounting regulations or principles;
- (iv) acts of God, including hurricanes, storms and other natural disasters;
- (v) any action contemplated by this Agreement or taken at the request of Buyer;
- (vi) any change or effect generally applicable to (A) the industries and markets in which Seller operates or (B) economic or political conditions or the securities or financial markets in any country or region; and
- (vii) any outbreak or escalation of hostilities or war or any act of terrorism.

(hhh) "**Material Contracts**" means agreements in respect of:

- (i) the purchase or sale of gas, oil or other Petroleum Substances;
- (ii) gas balancing, hedging or other derivatives;
- (iii) the dedication, transportation, processing, compression, treatment, gathering, disposal or storage of Petroleum Substances; and
- (iv) other like agreements;

described in Schedule A.3.

(iii) "**Material Lease Agreements**" means those agreements set forth in Schedule A.6 providing for the lease or rental of Tangibles and Miscellaneous Interests.

- (jjj) "**Miscellaneous Interests**" means Seller's Interest in and to all property, assets and rights (other than the Petroleum and Natural Gas Rights, the Tangibles, and the Excluded Assets) pertaining to or used in connection with, the Petroleum and Natural Gas Rights or the Tangibles to which Seller is entitled on the Closing Date including the following property, assets and rights:
- (i) the Assigned Contracts;
  - (ii) to the extent transferable pursuant to applicable Legal Requirements, all Licences;
  - (iii) the Surface Rights;
  - (iv) the Wells, including the related wellbores and casing;
  - (v) rig mats;
  - (vi) all records, books, files, reports, data, plotters, furniture, computers, servers, documents and information, including seismic data, well files, lease files, agreement files, previous AFE invoices and production records;
  - (vii) phone lines, satellite services, cellular modems, cell phones, computer hardware, printers, routers, software, copiers and other office machines, all as may be located at or attached to the Facilities; and
  - (viii) all Suspense Funds;
- but only to the extent that the above pertain to or are used in connection with the Petroleum and Natural Gas Rights or the Tangibles.
- (kkk) "**Oil and Gas Assets**" means the Petroleum and Natural Gas Rights, the Tangible Property and the Miscellaneous Interests.
- (lll) "**Order**" means any award, writ, injunction, judgment, order or decree entered, issued, made, or rendered by any Governmental Authority.
- (mmm) "**Outside Date**" means October 31, 2016, subject to the right of either Party to postpone the Outside Date for an additional 30 days if the Regulatory Approvals have not been obtained and have not been denied by a non-appealable decision of a Governmental Authority; provided that notwithstanding the foregoing, a Party shall not be permitted to postpone the Outside Date if the failure to obtain a Regulatory Approval is materially the result of such Party failing to cooperate in good faith in obtaining such Regulatory Approval.
- (nnn) "**Party**" or "**Parties**" means, individually or collectively, Buyer and Seller.
- (ooo) "**Permitted Encumbrances**" means any of the following:
- (i) any rights, obligations, or duties reserved to or vested in any municipality or other Governmental Authority to:
    - (A) control or regulate any Oil and Gas Asset in any manner including all applicable Legal Requirements;
    - (B) purchase, condemn, expropriate, or recapture any Oil and Gas Asset;

- (C) designate a purchaser of any Oil and Gas Asset; or
- (D) use any Oil and Gas Asset in any manner or increase the applicable Working Interest in a Lease below that shown in Schedule A.1;
- (ii) the terms and conditions of all of the Assigned Contracts;
- (iii) any consent applicable to the Transaction;
- (iv) easements, rights-of-way, servitudes, permits, surface leases, and other similar rights on, over, or in respect of any of the Oil and Gas Assets, as long as any such encumbrances, individually or in the aggregate, do not interfere in any material respect with Seller's use or operation of the Oil and Gas Assets (as currently used or operated) burdened thereby;
- (v) all royalties, overriding royalties, production payments, net profits interests, reversionary interests, carried interests, and other burdens shown in Schedule A.1;
- (vi) defects or irregularities of title:
  - (A) as to which the relevant statute(s) of limitations or prescription would bar any attack or claim against Seller's title; or
  - (B) arising out of lack of corporate authorization or a variation in corporate name;
- (vii) liens or other Encumbrances for Taxes not yet due and payable or that are being contested in good faith;
- (viii) abandonment, plugging and surface restoration obligations;
- (ix) all requirements to obtain the consent or approval of, or to submit notices or filings with, or other actions by, Governmental Authorities in connection with the conveyance of the Leases, if the same are customarily sought and received after the Closing;
- (x) calls on production of Petroleum Substances under any Assigned Contracts;
- (xi) the terms and conditions of the Leases, including any depth limitations or similar limitations that may be set forth therein and any liens or security interests reserved in the Leases for royalty, bonus, or rental, or for compliance with the terms of the Leases;
- (xii) liens incurred or created in the ordinary course of business as security in favour of a Person that is conducting the development or operation of the property to which such liens relate and that are not due and payable or delinquent;
- (xiii) mortgages on the lessor's interest under an Assigned Lease and Interest;
- (xiv) liens or trusts arising in connection with workers' compensation, unemployment insurance, or pension;
- (xv) conventional rights of reassignment obligating Seller to reassign its interest in any portion of the Leases to a third party, if such right is only triggered when Buyer expressly indicates its intention to release or abandon such interest prior to the expiration of the primary term or other termination of such interest; and

- (xvi) any Encumbrances that will not be released by the Approval and Vesting Order.
- (ppp) "**Person**" means any individual, corporation (including any non-profit corporation), partnership, limited liability company, joint venture, estate, trust, association, organization or other entity or Governmental Authority.
- (qqq) "**Petroleum and Natural Gas Rights**" means, other than the Excluded Assets, Seller's Interest in and to the Lands, the Leases and the Petroleum Substances in the Province of Alberta and in the Province of Saskatchewan, excluding the Excluded Assets.
- (rrr) "**Petroleum Substances**" means any and all of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas and all related hydrocarbons (including liquid hydrocarbons) and all other substances relating to any of the foregoing, whether liquid, gaseous or solid, and whether hydrocarbons or not, and all products derived from any of the foregoing (except coal but including sulphur).
- (sss) "**Proceeding**" means any Action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority.
- (ttt) "**Purchase Price**" has the meaning set forth in Section 3.1.
- (uuu) "**Regulatory Approvals**" means the Competition Act Approval, if required, the approval of the AER of the transactions hereunder, including the Licence Transfers and such other approvals and licences as may be required to be obtained from the AER in order to complete the transactions contemplated hereby.
- (vvv) "**Release**" means any past or present spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Substance into the environment (including the abandonment or discharging of barrels, containers and other closed receptacles containing any Hazardous Substance).
- (www) "**Representative**" means, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.
- (xxx) "**Right of First Refusal**" or "**ROFR**" means a right of first refusal, pre-emptive right of purchase or similar right whereby any Third Party has the right to acquire or purchase any of the Oil and Gas Assets as a consequence of the Parties entering into this Agreement or the Transaction.
- (yyy) "**Security Arrangements**" has the meaning set forth in Section 2.6(c).
- (zzz) "**Seller**" has the meaning set forth in the introductory paragraph.
- (aaaa) "**Seller Employees**" means employees and consultants identified by Seller whose employment or consulting obligations relate to the Oil and Gas Assets.
- (bbbb) "**Seller Party**" means Seller, its Affiliates and Representatives of each of the foregoing.
- (cccc) "**Seller's Interest**" means all of Seller's right, interest, title and estate, whether absolute or contingent, legal or beneficial.



- (dddd) "**Seller's Obligations**" has the meaning set forth in Section 2.6(c).
- (eeee) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer the Oil and Gas Assets to Buyer and to novate Buyer in the place and stead of Seller and/or its Affiliates with respect to the Oil and Gas Assets, including without limitation, change of operator forms, change of operator notices required under applicable operating agreements, and any other applicable forms and declarations required by federal and provincial agencies relative to Buyer's assumption of operations and plugging and abandonment Liabilities with respect to all of the Oil and Gas Assets; provided however, that no Specific Conveyance shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement.
- (ffff) "**Subsidiary**" means any entity with respect to which a specified Person directly or indirectly (through one or more intermediaries) has the power, through the direct or indirect ownership of securities or otherwise, to elect a majority of the directors or similar managing body.
- (gggg) "**Surface Rights**" means all rights of Seller or its Affiliates to use the surface of land in connection with the Oil and Gas Assets and the operations thereon, including rights to enter upon, use, occupy and enjoy the surface of lands upon which the Tangibles and the Wells are located or any lands which are or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including such rights Seller reasonably requires for its other operations on the Lands, provided that in all such instances, Buyer shall, insofar as it has the right to do so and on such terms that are reasonable, provide Seller with such rights of use as Seller may reasonably require for such operations.
- (hhhh) "**Suspense Funds**" means proceeds of production and interest in respect of any of the Oil and Gas Assets that are payable to third parties and are being held in suspense by Seller as the operator of such Oil and Gas Assets.
- (iiii) "**Tangible Property**" means Seller's Interest in the Tangibles.
- (jjjj) "**Tangibles**" means the Facilities, and any and all tangible depreciable equipment and facilities that are located within, upon, or in the immediate vicinity of the Lands, or that are used or intended to be used in producing, gathering, processing, treating, dehydrating, measuring, transporting, making marketable or storing Petroleum Substances, excluding the Excluded Assets but including:
- (i) facilities for water injection or removal operations in respect of such Petroleum Substances;
  - (ii) the tangibles listed in Schedule A.7 and also including all equipment, machinery, fixtures and other tangible personal property and improvements located on, used or held for use or obtained in connection with the ownership or operation of the Lands, including tanks, boilers, plants, buildings, field offices and other structures, fixtures, injection facilities, saltwater disposal facilities, compressors and other compression facilities (whether installed or not), pumping units, flow lines, pipelines, gathering systems, treating or processing systems or facilities, meters, machinery, power and other utility lines, roads, computer and automation equipment, telecommunications equipment, field radio telemetry and associated frequencies and licences, pressure transmitters, central processing equipment, tools, spare parts, major warehouse inventory, and the vehicles

identified in Schedule A.6 (and all equipment used in connection with such rolling stock, including safety equipment, special tools, dynamometers, hand tools and fluid level equipment), and other appurtenances, improvements and facilities; and

- (iii) all pipes, casing, tubulars, fittings, and other spare parts, supplies, tools, and materials located on, used or held for use on or held as inventory in connection with the ownership or operation of the Lands and other Tangibles.
- (kkkk) "**Tax**" or "**Taxes**" (and with correlative meaning, "Taxable" and "Taxing") means any federal, state, provincial, local, foreign or other income, alternative, minimum, add-on minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, intangibles, windfall profits, gross receipts, value added, sales, use, goods and services, excise, customs duties, transfer, conveyance, mortgage, registration, stamp, documentary, recording, premium, severance, environmental, natural resources, real property, personal property, ad valorem, intangibles, rent, occupancy, licence, occupational, employment, unemployment insurance, social security, disability, workers' compensation, payroll, health care, withholding, estimated or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis, or in any other manner, including any interest, penalty or addition thereto, whether disputed or not.
- (llll) "**Tax Act**" means the *Income Tax Act* (Canada).
- (mmmm) "**Tax Return**" means any return, declaration, report, claim for refund, information return or other document (including any related or supporting estimates, elections, schedules, statements, or information) filed or required to be filed in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.
- (nnnn) "**Third Parties**" means any Person other than Seller, Buyer and their Affiliates.
- (oooo) "**Thirteenth Month Adjustment**" means a reconciliation pursuant to an agreement that provides that during a period (usually a calendar year) revenues and expenses (or either of them) will be distributed to or paid by one or more parties to the agreement on the basis of estimates thereof and that following the end of the period (usually the first calendar month after the end of the period), the actual amount of the revenues or costs will be determined and a reconciliation between the estimated amounts and the actual amounts will be made.
- (pppp) "**Title Documents**" means, except in respect of the Excluded Assets, any and all Leases, unit agreements, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, agreements for the construction, ownership and operation of facilities, contract operating agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring Working Interests and other rights to and in respect of:
  - (i) explore for, drill for, produce, take, use or market Petroleum Substances;
  - (ii) share in the production of Petroleum Substances;
  - (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances that are produced; and

- (iv) acquire any of the rights described in subparagraphs (i) to (iii) above;
- including those, if any, set out in Schedule A.1, but only to the extent that the foregoing subparagraphs (i) through (iv) pertain to Petroleum Substances within, upon or under the Lands.
- (qqqq) "**Transaction**" means the sale and purchase of the Oil and Gas Assets by Seller to Buyer as contemplated by this Agreement.
- (rrrr) "**Transaction Documents**" means this Agreement, the Specific Conveyances and any other agreements, instruments or documents entered into pursuant to this Agreement.
- (ssss) "**Transfer Taxes**" has the meaning set forth in Section 8.1(a).
- (tttt) "**Unscheduled Assets**" has the meaning set forth in Section 2.7(a).
- (uuuu) "**Wells**" means all producing, non-producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and similar wells located on or within the Lands, whether or not completed, including oil, gas, water, disposal, observation and injection wells located on the Lands, as described or identified in Schedule A.
- (vvvv) "**Whitemap Areas**" means the area outlined in bold on the maps attached as Schedule A.9.
- (wwww) "**Working Interest**" means an undivided percentage ownership interest, under a Lease, in the rights to explore and drill for, produce, take, win and remove the Petroleum Substances that are subject to the Lease, together with the associated liability for the said percentage of the costs and expenses of the said activities.

## 1.2 Other Definitions and Interpretive Matters

- (a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:
- (i) Calculation of Time Period. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a day other than a Business Day, the period in question shall end on the next succeeding Business Day.
- (ii) Dollars. Any reference in this Agreement to \$ means Canadian dollars.
- (iii) Schedules. All Schedules attached or annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule but not otherwise defined therein shall be defined as set forth in this Agreement.
- (iv) Gender and Number. Any reference in this Agreement to gender includes all genders, and words importing only the singular number include the plural and vice versa.
- (v) Headings. The provision of a table of contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or

interpretation of this Agreement. All references in this Agreement to any "Section" or "Article" are to the corresponding Section or Article of this Agreement unless otherwise specified.

- (vi) Herein. Words such as "herein," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires.
- (vii) Monetary References. Any reference in this Agreement to a monetary amount, including the use of the term "dollar" or the symbol "\$", shall mean the lawful currency of Canada unless the contrary is specified or provided for elsewhere in this Agreement.
- (viii) Including. The word "including" or any variation thereof means "including, without limitation," and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.
- (ix) No Strict Construction. Buyer, on the one hand, and Seller, on the other hand, participated jointly in the negotiation and drafting of this Agreement. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by Buyer, on the one hand, and Seller, on the other hand, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement. Without limitation as to the foregoing, no rule of strict construction construing ambiguities against the draftsman shall be applied against any Person with respect to this Agreement.

## ARTICLE 2 PURCHASE AND SALE

### 2.1 Purchase and Sale

Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Seller shall sell, transfer, assign, convey and deliver, or cause to be sold, transferred, assigned, conveyed and delivered, the Oil and Gas Assets to Buyer, and Buyer shall purchase the Oil and Gas Assets from Seller pursuant to the Approval and Vesting Order.

### 2.2 Assumed Liabilities

Upon the terms and subject to the conditions of this Agreement, if Closing occurs, on the Closing Date, Buyer hereby assumes and agrees to discharge, when due (in accordance with their respective terms and subject to the respective conditions thereof), only the following Liabilities (collectively, the "Assumed Liabilities") and no others:

- (a) subject to Section 2.2(b):
  - (i) all Liabilities for debts and other liquidated amounts under the Assigned Contracts; and
  - (ii) all other Liabilities (excluding Environmental Liabilities) in respect of the Oil and Gas Assets or the operation, use or ownership thereto;

in each case to the extent that such Liabilities arise or accrue on or after the Closing Date; provided that, for greater certainty, nothing in this Section 2.2(a) shall affect the adjustments provided for under Sections 10.1 and 10.2 inclusive;

- (b) all Environmental Liabilities regardless when they arise or accrue;
- (c) all Permitted Encumbrances;
- (d) all Taxes with respect to the Oil and Gas Assets; and
- (e) all of Seller's Liabilities in connection with the Suspense Funds.

### **2.3 Excluded Liabilities**

Notwithstanding any provision in this Agreement to the contrary, Buyer shall not assume and shall not be obligated to assume or be obliged to pay, perform or otherwise discharge any Liability of Seller, and Seller shall be solely and exclusively liable with respect to all Liabilities of Seller, other than the Assumed Liabilities (such Liabilities other than Assumed Liabilities, collectively, the "**Excluded Liabilities**"). For purposes of clarity, and without limitation of the generality of the foregoing, the Excluded Liabilities shall include, without limitation, each of the following Liabilities of Seller, other than the Assumed Liabilities:

- (a) all indebtedness for borrowed money of Seller;
- (b) all guarantees of third party obligations by Seller and reimbursement obligations to guarantors of Seller's obligations or under letters of credit;
- (c) all accrued expenses and accounts payables;
- (d) those Actions and Proceedings set forth in the Disclosure Schedule;
- (e) all Liabilities of Seller to any owner or former owner of capital stock or warrants, or holder of indebtedness for borrowed money;
- (f) drafts or checks outstanding at the Closing;
- (g) all Cure Costs;
- (h) the Existing Work Orders;
- (i) all Transfer Taxes; and
- (j) any claims to the extent related to the Excluded Assets.

### **2.4 Licence Transfers**

- (a) As soon as practicable after Closing, but in any event no later than five (5) Business Days following Closing, Seller shall prepare and where applicable, electronically submit an application to the applicable Governmental Authority for the Licence Transfers and Buyer or its nominee shall, where applicable, at the same time electronically ratify and sign such application.

- (b) If a Governmental Authority denies any Licence Transfers because of misdescription or other minor deficiencies in the application, Seller shall within five (5) Business Days of such denial correct the application and amend and re-submit the application for the Licence Transfers and Buyer or its nominee shall, where applicable, electronically ratify and sign such application.
- (c) The Buyer shall ensure that it or its nominee meets the qualification requirements as specified in Section 6.8 or otherwise in relation to facilitating the approval of any Licence Transfers by the applicable Governmental Authority without reliance upon the amount of the security deposit currently posted with the AER or ECON by the Seller.
- (d) Neither the Seller or its Representatives shall be obligated to make any deposits or furnish any other form of security to a Governmental Authority in relation to facilitating the Approval of any Licence Transfers by the applicable Governmental Authority.

## **2.5 Specific Conveyances**

- (a) Buyer shall prepare the Specific Conveyances at its cost. If all Specific Conveyances are not prepared prior to the Closing time, Buyer shall prepare them as soon as practicable after Closing, and in any event no later than thirty (30) days after Closing. It shall not be necessary for Specific Conveyances to have been executed prior to or at Closing by Third Parties. Promptly after Closing, and at Buyer's cost, Buyer shall deliver all Specific Conveyances to Third Parties and each applicable Governmental Authority in accordance with normal industry practices and the Approval and Vesting Order, and shall attend to the registration of Specific Conveyances with each applicable Governmental Authority in accordance with normal industry practices.
- (b) Buyer shall use all commercially reasonable efforts to become, as soon as reasonably practicable following Closing, the recognized and beneficial holder of the Oil and Gas Assets in the place and stead of Seller, and shall where Seller is the registering party, promptly take whatever steps are necessary to verify such registrations.
- (c) Subject to the requirements relating to Licence Transfers under Section 2.4, Buyer shall bear all out of pocket costs, fees and deposits of every nature and kind incurred (whether by Seller or Buyer) in registering any Specific Conveyances and registering any further assurances required to convey the Oil and Gas Assets to Buyer.
- (d) Any transfer or assignment of the legal interest of Seller or any Affiliate thereof in the Title Documents requiring notice to or consent from a third party shall not be assigned or transferred to Buyer until and unless the notice or consent requirements have been satisfied. Each Party shall use commercially reasonable efforts, as to matters within its control, to satisfy such requirements as of the Closing Date, and Buyer shall furnish any deposits or security reasonably required to complete such transfers and assignments in accordance with normal industry practices, the Approval and Vesting Order, the provisions of the Leases and the Contracts, and applicable Legal Requirements.

## **2.6 Assigned Contracts and Leases**

- (a) With respect to each Assigned Contract and Lease, Buyer shall provide evidence of its ability as required under the CCAA to perform the future obligations under each such Assigned Contract and Lease. Buyer and Seller shall take all steps required to obtain an order under s. 11.3 of the CCAA, such as furnishing timely requested and factually accurate affidavits, non-confidential

financial information and other documents or information for filing with the Court and making Buyer's and Seller's employees and Representatives available to testify before the Court.

- (b) Buyer shall pay, perform or satisfy the Assumed Liabilities from time to time and as such Assumed Liabilities become due and payable or are required to be performed or satisfied in accordance with their respective terms.
- (c) Without limiting the provisions of Section 2.6(a), Buyer acknowledges that various bonds, surety bonds, letters of credit, guarantees, and/or cash deposits, including those set forth in Schedule B (collectively the "**Security Arrangements**") have been provided by Seller and/or its Affiliates to secure the payment and/or performance of certain of Seller's obligations related to the Oil and Gas Assets. Buyer acknowledges that Seller has no duty to maintain any Security Arrangements after the Closing. To the extent Seller and/or any of its Affiliates have any obligations pursuant to any Security Arrangement or have pledged or otherwise provided any property that secures any such Security Arrangement (collectively, "**Seller's Obligations**"), Buyer shall take such actions, as are necessary to cause Seller's Obligations arising under the Security Arrangements set forth in Schedule B (and such Security Arrangements) to be released and terminated, and any of Seller's property pledged or otherwise provided to secure such Security Arrangements returned to Seller, concurrent with the Closing. As to those Security Arrangements not listed in Schedule B, Buyer shall take such actions as are necessary to cause Seller's Obligations arising under such Security Arrangements (and such Security Arrangements) to be released and terminated, and any of Seller's property pledged or otherwise provided to secure such Security Arrangements returned to Seller, as soon as possible acting reasonably, following Seller's notifying Buyer (or if earlier, Buyer's otherwise becoming aware) of such Security Arrangement.

## 2.7 **Whitemap Areas**

- (a) The Parties acknowledge that although Seller has prepared, and Buyer has reviewed, the Schedules attached hereto diligently and with good faith, they recognize that there may be unintended omissions or misdescriptions. As such, the Parties acknowledge and agree that it is their intention that, in addition to those Oil and Gas Assets included and specified in the Schedules hereto, the Oil and Gas Assets shall include Seller's entire interest in and to all Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests (as those terms are defined herein) which fall within the Whitemap Areas, any of such additional unscheduled Oil and Gas Assets, if any, being the "**Unscheduled Assets**", and that the Purchase Price includes consideration for such Unscheduled Assets.
- (b) To the extent that any Unscheduled Assets are identified by either Party after the Closing Date, the Parties shall use all reasonable efforts to replace the affected Schedules attached hereto with corrected Schedules, which corrected Schedules shall be deemed to be the applicable Schedule as of the date hereof, and to take such additional steps as are necessary to specifically convey Seller's interest in such Unscheduled Assets to Buyer.

## 2.8 **Further Assurances**

The Parties agree to (a) furnish upon request to each other such further information, (b) execute, acknowledge and deliver to each other such other documents, and (c) do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the Transaction Documents; provided that nothing in this Section 2.8 shall prohibit Seller from ceasing operations or winding up its affairs (including, without limitation, through a bankruptcy) following the Closing.

**ARTICLE 3  
PURCHASE PRICE**

**3.1 Purchase Price**

(a) The purchase price for the purchase, sale, assignment and conveyance of Seller's right, title and interest in, to and under the Oil and Gas Assets shall consist of the following (collectively, the "Base Purchase Price"):

- (i) cash in an amount equal to [REDACTED]
- (ii) the assumption of the Assumed Liabilities.

Notwithstanding the foregoing, the Base Purchase Price shall be adjusted as provided in Article 10 (as adjusted, the "Purchase Price"). [REDACTED]

(b) In the determination of the Base Purchase Price payable for the Oil and Gas Assets, the Parties agree that the extent and value of past, present and future environmental, abandonment or reclamation liabilities related to the Oil and Gas Assets is unknown as of the Closing Date, and the Parties have not attributed a specific or agreed to value with regard to either (i) such liabilities, or (ii) the indemnities provided for in this Agreement, nor shall there be any adjustments made to the Base Purchase Price in relation thereto.

**3.2 Deposit**

The Parties acknowledge that the Deposit has been paid to the Escrow Agent concurrent with the entering into of this Agreement. Upon Closing, the Deposit shall be returned to Buyer together with any interest earned thereon. Deposit will be held by the Escrow Agent and disbursed strictly in accordance with the Deposit Escrow Agreement attached hereto as Schedule D. If Closing does not occur, the Deposit (plus any interest that has actually accrued thereon) shall be subject to the terms of Section 14.3.

**3.3 Allocation of Purchase Price**

The Parties shall allocate the Base Purchase Price for all purposes (including for purposes of the GST and the Tax Act), as follows:

- (a) Miscellaneous Interests [REDACTED]
- (b) Tangibles [REDACTED]
- (c) Petroleum and Natural Gas Rights [REDACTED]

**ARTICLE 4  
CLOSING**

**4.1 Closing Date**

Upon the terms and subject to the conditions hereof, the closing of the sale of the Oil and Gas Assets and the assumption of the Assumed Liabilities contemplated hereby (the "Closing") shall take place at 9:00 a.m., Mountain Daylight Time, at the offices of Seller in Calgary, Alberta or such other



place as may be agreed upon in writing by the Parties, no later than three (3) Business Days following the date on which the Approval and Vesting Order is granted, provided that the conditions set forth in Article 11 and Article 12 have been satisfied or, if permissible, waived, excepting the conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, if permissible, waiver of such conditions. The date and time at which the Closing actually occurs is hereinafter referred to as the "Closing Date".

#### 4.2 Payment on the Closing Date

Subject to satisfaction or, if permissible, waiver of the conditions set forth in Article 11 and Article 12, at the Closing, Buyer shall pay, or cause to be paid, the Purchase Price, [REDACTED]


#### 4.3 Buyer's Deliveries

At the Closing, Buyer shall deliver or cause to be delivered to Seller (or such other Persons where so designated):

- (a) the cash consideration referenced in Section 3.1(a)(i) to Seller in accordance with Section 4.2, [REDACTED]
- (b) a certificate of status of Buyer;
- (c) each other Transaction Document to which Buyer is a party, duly executed (and acknowledged, where applicable) by Buyer, including the General Conveyance, and those Specific Conveyances available as at the Closing Date;
- (d) the certificates of Buyer to be received by Seller pursuant to Sections 12.1 and 12.3;
- (e) a counterpart of the Interim Statement of Adjustments executed by Buyer;
- (f) evidence (including evidence of satisfaction of all applicable bonding or insurance requirements) as Seller may reasonably request at least three (3) Business Days prior to Closing demonstrating that Buyer is qualified with the applicable Governmental Authorities and pursuant to any applicable operating agreement to succeed Seller as the registered owner and, where applicable, the operator of the Oil and Gas Assets;
- (g) such other assignments and other good and sufficient instruments of assumption and transfer, in a form reasonably satisfactory to Seller, as Seller may reasonably request at least three (3) Business Days prior to Closing, to transfer and assign the Assumed Liabilities to Buyer; and
- (h) any other documents required to be delivered by Buyer to Seller at Closing pursuant to this Agreement.

#### 4.4 Seller's Deliveries

At the Closing, Seller shall deliver to Buyer:

- (a) 
- (b) the General Conveyance, the Specific Conveyances, as available, and each other Transaction Document to which Seller is party, duly executed by Seller;
- (c) a certified copy of the Approval and Vesting Order;
- (d) the certificates of Seller to be received by Buyer pursuant to Sections 11.1 and 11.2;
- (e) evidence satisfactory to Buyer that all Cure Costs, Transfer Taxes and accrued but unpaid amounts relating to the Existing Work Orders have been paid by the Seller or are reflected in the Interim Statement of Adjustment;
- (f) a counterpart of the Interim Statement of Adjustments executed by Seller; and
- (g) any other documents required to be delivered by Seller to Buyer at Closing pursuant to this Agreement.

#### ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF SELLER

Except as disclosed in the Disclosure Schedule attached hereto, Seller represents and warrants the following to Buyer:

##### 5.1 Organization and Good Standing

Seller is an entity duly organized and validly existing under the laws of the jurisdiction of its organization. Seller has the requisite corporate power and authority to own or lease and to operate and use its properties and to carry on its business as now conducted. Seller is qualified or licensed to do business and is in good standing in each jurisdiction where the character of its business or the nature of its properties makes such qualification or licensing necessary, except for such failures to be so qualified or licensed or in good standing as would not, individually or in the aggregate, have a Material Adverse Effect.

##### 5.2 Authority, Validity and Consents

Seller has, subject to obtaining the Approval and Vesting Order, the requisite corporate power and authority necessary to enter into and perform its obligations under this Agreement and the other Transaction Documents to which Seller is a party and to consummate the Transaction contemplated hereby and thereby, and subject to obtaining the Approval and Vesting Order, the execution, delivery and performance of this Agreement and such other Transaction Documents by Seller and the consummation by Seller of the Transaction contemplated herein and therein has been duly and validly authorized by all requisite corporate action. This Agreement has been duly and validly executed and delivered by Seller and each other Transaction Document required to be executed and delivered by Seller at the Closing will be duly and validly executed and delivered by Seller at the Closing. Subject to obtaining the Approval and Vesting Order, this Agreement and the other Transaction Documents constitute, with respect to Seller, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforceability is limited by general principles of equity. Subject to obtaining the Approval and Vesting Order, to Seller's Knowledge, except:

- (a) for entry of the Approval and Vesting Order;
- (b) for notices, filings and consents required in connection with the CCAA Proceedings; and
- (c) for the notices, filings and consents set forth in the Disclosure Schedule;

Seller is not required to give any notice to, make any filing with or obtain any consent from any Person (including any Governmental Authority) in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation or performance of the Transaction, except as would not, individually or in the aggregate, have a Material Adverse Effect.

### **5.3 No Conflict**

When the consents and other actions described in Section 5.2, including the Approval and Vesting Order, have been obtained and taken, to Seller's Knowledge, the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the Transaction provided for herein and therein will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, or cause any acceleration of any obligation of Seller under (a) any agreement, indenture, or other instrument to which Seller is bound, (b) the certificate of incorporation, bylaws or other governing documents of Seller, (c) any Order or (d) any Legal Requirement, except as would not, individually or in the aggregate, have a Material Adverse Effect.

### **5.4 Legal Proceedings**

Except for the CCAA Proceedings and as set forth in the Disclosure Schedule, there is no Proceeding or Order pending, outstanding or, to Seller's Knowledge, threatened against Seller that seeks to restrain or prohibit or otherwise challenge the consummation, legality or validity of the Transaction or that would have, individually or in the aggregate, a Material Adverse Effect.

### **5.5 Residency**

Seller is not a non-resident of Canada for the purposes of the Tax Act.

### **5.6 GST**

Seller is a registrant for purposes of the ETA, and its registration number is 84674 2898 RT0001.

### **5.7 AFEs**

Except as set forth and described in Schedule A.8, Seller has no knowledge of any AFEs issued or approved by Seller with respect to the Oil and Gas Assets which amounts may become payable after the Closing Date under which Seller's share will be greater than \$50,000.

### **5.8 No Additional Representations and Warranties by Seller**

- (a) Notwithstanding anything to the contrary in this Agreement, Seller makes no representations or warranties except as expressly set forth in Sections 5.1 to 5.7 and in particular, and without limiting the generality of the foregoing, Seller disclaims and shall not be liable for any representation or warranty express or implied, of any kind, at law or in equity, that may have been made or alleged to be made in any instrument or document relative hereto, or in any statement or

information made or communicated to Buyer in any manner including any opinion, information, or advice that may have been provided to Buyer by Seller or its Representatives in connection with the Oil and Gas Assets or in relation to the Transaction. For greater certainty, Seller does not make any representation or warranty, express or implied, of any kind, at law or in equity, with respect to:

- (i) the accuracy or completeness of any information supplied by Seller or its Representatives in connection with the Oil and Gas Assets;
- (ii) the quality, quantity or recoverability of any Petroleum Substances from the Lands;
- (iii) the value of the Oil and Gas Assets or any estimates of prices or future cash flows arising from the sale of any Petroleum Substances produced from or allocated to the Oil and Gas Assets or the Petroleum and Natural Gas Rights or any estimates of other revenues or expenses attributable to the Oil and Gas Assets;
- (iv) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
- (v) the quality, condition, fitness, suitability, serviceability or merchantability of any of the Tangibles; or
- (vi) the title of Seller to the Oil and Gas Assets.

Buyer acknowledges and confirms that it is relying on its own investigations concerning the Oil and Gas Assets and it has not relied on advice from Seller or its Representatives with respect to the matters specifically enumerated in the immediately preceding paragraphs in connection with the purchase of the Oil and Gas Assets pursuant hereto. Buyer further acknowledges and agrees that it is acquiring the Oil and Gas Assets on an "as is, where is" basis. Buyer acknowledges and agrees that it is familiar with the condition of the Oil and Gas Assets, including the past and present use of the Lands and the Tangibles, that Seller has provided Buyer with a reasonable opportunity to inspect the Oil and Gas Assets at the sole cost, risk and expense of Buyer (insofar as Seller could reasonably provide such access) and that Buyer is not relying upon any representation or warranty of Seller as to the condition, environmental or otherwise, of the Oil and Gas Assets, except as expressly contained in Sections 5.1 to 5.7 above.

- (b) Except for its express rights under this Agreement, Buyer hereby waives all rights and remedies (whether now existing or hereinafter arising and including all equitable, common law, tort, contractual and statutory rights and remedies) against Seller in respect of the Oil and Gas Assets or the Transaction or any representations or statements made, direct or indirect, express or implied, or information or data furnished to Buyer or its Representatives, in connection herewith (whether made or furnished orally or by electronic, faxed, written or other means).

#### **ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller as follows:

### **6.1 Organization and Good Standing**

Buyer is a corporation, duly organized, validly existing and in good standing under the laws of the Province of Alberta. Buyer has the requisite power and authority to own or lease and to operate and use its properties and to carry on its business as now conducted.

### **6.2 Authority, Validity and Consents**

Buyer has the requisite power and authority necessary to enter into and perform its obligations under this Agreement and the other Transaction Documents to which it is a party and to consummate the Transaction. The execution, delivery and performance of this Agreement by Buyer and the consummation by Buyer of the Transaction have been duly and validly authorized by all requisite corporate actions in respect thereof. This Agreement has been duly and validly executed and delivered by Buyer and each other Transaction Document to which Buyer is a Party will be duly and validly executed and delivered by Buyer, as applicable, at the Closing. This Agreement and the other Transaction Documents to which Buyer is a party constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their respective terms, except in each case as such enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or general principles of equity. Buyer is not or will not be required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Agreement and the other Transaction Documents to which it is a party or the consummation or performance of any of the Transaction, except for such notices, filings and consents, the failure of which to provide, make or obtain, would not, individually or in the aggregate, have a Material Adverse Effect on Buyer's ability to perform its obligations under this Agreement or any other Transaction Documents or to consummate the Transaction.

### **6.3 No Conflict**

When the consents and other actions described in Section 6.2 have been obtained and taken, the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the Transactions will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, or cause any acceleration of any obligation of Buyer under (a) any agreement, indenture, or other instrument to which it is bound, (b) the constating documents of Buyer, as applicable, (c) any Order or (d) any Legal Requirement, except as would not, individually or in the aggregate have a Material Adverse Effect.

### **6.4 Availability of Funds**

As of the Closing, Buyer will have sufficient cash in immediately available funds (without giving effect to any unfunded financing, regardless of whether any such financing is committed) to pay the Purchase Price, all costs, fees and expenses to be paid by Buyer that are necessary to consummate the Transaction and the other Transaction Documents, and assume and satisfy the Assumed Liabilities.

### **6.5 Litigation**

There are no Proceedings pending or, to the Knowledge of Buyer, threatened, that would affect Buyer's ability to perform its obligations under this Agreement or any other Transaction Documents or to consummate the Transaction.

## 6.6 Brokers or Finders

Neither Buyer nor any Person acting on behalf of Buyer has paid or become obligated to pay any fee or commission to any broker, finder, investment banker, agent or intermediary for or on account of the Transaction for which Seller is or will become liable, and Buyer shall hold harmless and indemnify Seller from any claims with respect to any such fees or commissions.

## 6.7 Business Use, Bargaining Position, Representation

Buyer is purchasing the Oil and Gas Assets for commercial or business use and has knowledge and experience in financial and business matters that enables it to evaluate the merits and the risks of a transaction such as the Transaction. Buyer is not in a significantly disparate bargaining position with Seller and is represented by legal counsel.

## 6.8 Qualification

Buyer or its nominee meets or will meet prior to Closing, all qualification requirements of Governmental Authorities, including AER and ECON, necessary to complete the Licence Transfers and to consummate the Transaction, and other than the Regulatory Approvals and ECON approval, there are no regulatory approvals or rulings required to be obtained by Buyer, that have not already been obtained, to complete the Transaction and the Licence Transfers.

## ARTICLE 7 ACTIONS PRIOR TO THE CLOSING DATE

### 7.1 Due Diligence

Buyer acknowledges that it has, prior to the execution hereof, been given an opportunity to:

- (a) review Seller's title to the Oil and Gas Assets; and
- (b) conduct an environmental review of the Oil and Gas Assets;

and that it has satisfied itself in regard to both Seller's title to the Oil and Gas Assets and all environmental matters relating to the Oil and Gas Assets, including any past, present or future Environmental Liabilities. Buyer expressly waives all defects relating either to Seller's title to the Oil and Gas Assets or to environmental matters relating to the Oil and Gas Assets, whether disclosed by Buyer's review or otherwise.

### 7.2 Operations Prior to the Closing Date

Seller covenants and agrees that, except (a) as expressly contemplated by this Agreement, (b) as disclosed in the Disclosure Schedule, (c) with the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed) or (d) as otherwise required by Legal Requirements, during the Interim Period:

- (a) Seller shall:
  - (i) use commercially reasonable efforts, taking into account Seller's status as debtor in possession in the CCAA Proceedings, to maintain and operate the Oil and Gas Assets that

are operated by Seller as a reasonably prudent operator or cause such Oil and Gas Assets to be operated as a reasonably prudent operator in the ordinary course of business;

- (ii) pay or cause to be paid all post-filing bonuses and rentals, royalties, overriding royalties, shut-in royalties, and minimum royalties and development and operating expenses, and other payments incurred with respect to the Oil and Gas Assets operated by Seller except (A) royalties held in suspense as a result of title issues and that do not give any third party a right to cancel an interest in any Oil and Gas Assets operated by Seller, and (B) expenses or royalties being contested in good faith, unless the nonpayment of such contested expenses or royalties could result in the termination of a Lease, in which case Seller will notify Buyer and obtain Buyer's approval prior to withholding such payment;
  - (iii) maintain its books, accounts and records in accordance with past custom and practice;
  - (iv) maintain the personal property comprising part of the Oil and Gas Assets operated by Seller in at least as good a condition as it is on the date hereof, subject to ordinary wear and tear; and
  - (v) use commercially reasonable efforts, taking into account Seller's status under the CCAA, to retain Seller Employees who are necessary to conduct the business as it is currently being conducted.
- (b) Seller shall not:
- (i) other than as it relates to the Existing Work Orders, abandon any Oil and Gas Asset (except any abandonment of Leases to the extent any such Leases terminate pursuant to their terms);
  - (ii) commence, propose, or agree to participate in any single operation with respect to the Wells or Leases with an anticipated cost in excess of [REDACTED] [REDACTED] except for emergency operations, operations scheduled under the AFEs, or operations required by any Governmental Authority;
  - (iii) terminate, cancel, or materially amend or modify any Lease;
  - (iv) sell, lease, encumber, or otherwise dispose of all or any portion of any Oil and Gas Assets, except sales of Petroleum Substances in the ordinary course of business;
  - (v) grant to any Seller Employee any increase in compensation except in the ordinary course of Seller's business and consistent with past practice or pursuant to an order granted in the CCAA Proceedings; or
  - (vi) enter into any agreement or commitment to take any action prohibited by this Section 7.2(b).

### **7.3 Satisfaction of Existing Work Orders, Cure Costs, Transfer Taxes and AFEs**

- (a) Prior to or contemporaneously with Closing, Seller shall:
- (i) incur and pay for all costs relating to Existing Work Orders;

- (ii) pay all Cure Costs to the applicable counterparties;
- (iii) pay all Transfer Taxes; and
- (iv) pay for all AFEs issued prior to the Closing Date: (A) by Seller or approved by the seller; (B) that are mandatory or relate to abandonment or reclamation obligations; or (C) that relate to title preservation operations, with respect to the Oil and Gas Assets, as set out in Schedule A.8.

#### 7.4 **Commercially Reasonable Efforts**

- (a) Seller and Buyer shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Transaction, including using commercially reasonable efforts to accomplish the following:
  - (i) the taking of all reasonable acts necessary to cause the conditions precedent set forth in Article 11 and Article 12 to be satisfied;
  - (ii) the obtaining, at the earliest practicable date, of all necessary Governmental Authorizations, Regulatory Approvals, ECON Approval and the making of all necessary registrations, declarations and filings (including registrations, declarations and filings with Governmental Authorities, if any) and the taking of all reasonable steps as may be necessary to avoid any Proceeding by any Governmental Authority; and
  - (iii) the execution or delivery of any additional instruments necessary to consummate the Transaction and to fully carry out the purposes of this Agreement.
- (b) Seller, on the one hand, and Buyer, on the other hand:
  - (i) shall promptly inform each other of any communication from any Governmental Authority concerning this Agreement, the Transaction, and any filing, notification or request for approval; and
  - (ii) shall permit the other to review in advance any proposed written or material oral communication or information submitted to any such Governmental Authority in response thereto. In addition, no Party shall agree to participate in any meeting with any Governmental Authority in respect of any filings, investigation or other inquiry with respect to this Agreement or the Transaction, unless such Party consults with the other Party in advance and, to the extent permitted by any such Governmental Authority, gives the other Party the opportunity to attend and participate thereat, in each case to the maximum extent practicable. Subject to any restrictions under applicable laws, rules or regulations, each of Buyer, on the one hand, and Seller, on the other hand, shall furnish the other with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and its Affiliates and their respective Representatives on the one hand, and the Governmental Authority or members of its staff on the other hand, with respect to this Agreement, the Transaction (excluding documents and communications that are subject to pre-existing confidentiality agreements or to the solicitor-client privilege or litigation work product privilege) or any such filing, notification or request for approval. Each Party shall also furnish the other Party with



such necessary information and assistance as such other Party and its Affiliates may reasonably request in connection with their preparation of necessary filings, registration or submissions of information to the Governmental Authority in connection with this Agreement, the Transaction and any such filing, notification or request for approval.

- (c) Subject to the terms and conditions of this Agreement:
  - (i) Buyer shall take any and all reasonable steps necessary to avoid or eliminate any impediments under any applicable antitrust, competition or trade regulation laws that may be asserted by any Governmental Authority with respect to the Transaction so as to enable the Closing to occur as soon as reasonably possible; and
  - (ii) Buyer shall take any and all reasonable steps necessary to meet all qualification requirements of Governmental Authorities, including AER and ECON, necessary to complete the Licence Transfers and to consummate the Transaction.
- (d) Seller will use best efforts to obtain a sealing order with respect to the commercial terms of the Transaction, as agreed to between Buyer and Seller, each acting reasonably.

#### **7.5 Court Approval**

- (a) Seller and Buyer acknowledge that this Agreement and the sale of the Oil and Gas Assets and the assumption and assignment of the Assigned Contracts and Leases are subject to Court approval. Seller and Buyer acknowledge that to obtain such approval, Seller must demonstrate that it has taken reasonable steps to obtain the best offer possible for the Oil and Gas Assets, and that such demonstration shall include giving notice of the transactions contemplated by this Agreement to creditors and other interested parties as ordered by the Court. Seller covenants to bring the application for the Approval and Vesting Order to the Court, and the Buyer covenants to support such application.
- (b) In the event an appeal is taken, or a stay pending appeal is requested, from the Approval and Vesting Order, Seller shall promptly notify Buyer of such appeal or stay request and shall provide to Buyer promptly a copy of any related notice of appeal or order of stay. Seller shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders.
- (c) Buyer acknowledges that the Transaction will close notwithstanding the appeal period has not yet expired.
- (d) From and after the date of execution of this Agreement and prior to the Closing or the termination of this Agreement in accordance with Section 14.1, Seller shall not take any action that is intended to (or is reasonably likely to), or fail to take any action the intent (or the reasonably likely result) of which failure to act is to, result in the reversal, voiding, modification or staying of the Approval and Vesting Order or this Agreement.








**ARTICLE 8  
TAXES**

**8.1 Taxes**

- (a) Any transfer, documentary, sales (including goods and services tax), use, stamp, registration and other similar Taxes, and all conveyance fees, recording charges and other similar fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (collectively, the "**Transfer Taxes**") shall be borne by Seller. Seller and Buyer shall use commercially reasonable efforts and cooperate in good faith to reduce or eliminate any Transfer Taxes applicable to the sale and transfer of the Oil and Gas Assets.
- (b) Buyer and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Oil and Gas Assets (including access to books and records and Tax Returns and related working papers dated before Closing) as is reasonably necessary for the filing of all Tax Returns, the making of any election relating to Taxes, the preparation for any audit by any taxing authority, the prosecution or defense of any claims, suit or proceeding relating to any Tax, and the claiming by Buyer of any federal, provincial or local business tax credits or incentives that Buyer may qualify for in any of the jurisdictions in which any of the Oil and Gas Assets are located; provided however, that neither Buyer nor Seller shall be required to disclose the contents of its income Tax Returns to any Person. Any expenses incurred in furnishing such information or assistance pursuant to this Section 8.1(b) shall be borne by the Party requesting it.

**ARTICLE 9  
EMPLOYEES**

**9.1 Employee Matters**

- (a) 
- (b) 
- (c) 
  - (i) 
  - (ii) 
  - (iii) 
  - (iv) 

- (d) [REDACTED]
- (e) [REDACTED]
- (f) [REDACTED]
- (g) [REDACTED]
- (h) [REDACTED]

**ARTICLE 10  
ADJUSTMENTS**

**10.1 Adjustments**

- (a) Except as otherwise provided in this Article 10:
  - (i) the Parties shall adjust and apportion all costs, obligations, benefits and revenues of every kind and nature incurred, payable or paid in respect of the Oil and Gas Assets as at the Effective Date, including capital costs, operating costs, lease rentals, royalty obligations, and Taxes, other than income taxes; and
  - (ii) all such accounting adjustments and apportionments made hereunder shall be made on the accrual basis, as described in Section 10.1(b), and in accordance with generally accepted Canadian accounting principles and generally accepted Canadian oil and gas industry practices.
- (b) All costs incurred in connection with work performed or goods or services provided in respect of the Oil and Gas Assets shall be deemed to have accrued in accordance with generally accepted accounting principles and generally accepted Canadian oil and gas industry practices as of the date the work was performed or the goods or services were delivered, regardless of the times such costs become payable.
- (c) Seller shall not be entitled to any credit to the extent that it has paid any operating cost advances, capital cost advances, authorities for expenditure and similar prepayments in respect of the Oil and Gas Assets that are applied to pay for work performed after the Effective Date, and such credits shall accrue to Buyer.
- (d) All Leased Substances in inventory that have been produced from the Lands shall comprise part of the Oil and Gas Assets, including such Leased Substances in inventory at Closing that was produced prior to the Effective Date and the proceeds from the sale thereof shall accrue and belong to Buyer.

- (e) Seller shall not be entitled to any overhead recoveries forming part of operator's fees associated with the Oil and Gas Assets and charged to Third Parties for all periods up to the end of the calendar month in which the Closing occurs, and such recoveries shall accrue to Buyer instead.
- (f) All rentals and similar payments, property taxes (including freehold mineral taxes) and other periodic costs (other than capital taxes and income taxes) that relate to the Oil and Gas Assets and are payable in respect of a period of time that straddles the Effective Date shall be apportioned between Seller and Buyer on a per diem basis as of the Effective Date and the Buyer shall receive an additional credit in the amount of [REDACTED] for any such prepayments made by the Seller in respect of such costs.
- (g) Any payment or liability resulting from a Thirteenth Month Adjustment shall be apportioned between Seller and Buyer as at the Effective Date on the same basis (whether on a throughput, per diem or other basis) as the Thirteenth Month Adjustment is allocated to the parties to the agreement under which it is made. Buyer and Seller shall cooperate to ensure that all Thirteenth Month Adjustments are up-to-date through the Closing Date by no later than 90 days following the Closing Date.
- (h) For the avoidance of doubt, Buyer shall not be entitled to a credit (and there shall be no adjustment made) in respect of the payment of any security deposit by Buyer, except to the extent such security deposit arises solely as a result of the asset-specific licensee liability rating for the Oil and Gas Assets as determined by the AER or ECON, as applicable.

#### 10.2 Interim Statement of Adjustments

Attached as Schedule G hereto is an estimate of the statement of all adjustments (the "Interim Statement of Adjustments") to be made pursuant to Article 10 in respect of the costs paid or payable and revenues received or receivable by Seller prior to Closing and assuming Closing occurs on October 17, 2016. The Interim Statement of Adjustments shall be prepared on the basis of Seller's good faith estimate of the costs and revenues attributable to the Oil and Gas Assets prior to the Closing Date. At the time it delivers the Interim Statement of Adjustments, Seller shall make available to Buyer all information reasonably necessary for Buyer to understand and confirm the calculations in such statement. Any amount deemed owing by one Party to another pursuant to the Interim Statement of Adjustments shall be used to calculate the payment made by Buyer or Seller at Closing pursuant to Section 4.2, subject only to such changes as may be necessary to update the calculations set forth therein if the Closing Date does not occur on October 17, 2016.

#### 10.3 Special Adjustments

- (a) To the extent any amount described in 7.3(a)(i), (ii), (iii) or (iv) have not been paid in full or cannot be paid for any reason whatsoever, the Interim Statement of Adjustments will be adjusted in favour of the Buyer to take into account such unpaid or unpayable amounts.
- (b) The Interim Statement of Adjustments shall be further adjusted [REDACTED]

**10.4 Adjustment Post Closing**

- (a) As soon after the Closing Date as reasonably practicable, and in any event within 90 days following the Closing Date, the Parties shall cooperate in preparing, on the basis of information available within such period, a final statement of all adjustments and payments to be made pursuant to Article 10 (the "**Final Statement of Adjustments**"). If the Parties are unable to agree upon the Final Statement of Adjustments the Parties shall escalate the matter to the senior executive level for final resolution within 30 days.
- (b) After the Final Statement of Adjustments has been determined no further adjustments to the Purchase Price will be made between the Parties pursuant to this Section 10.4.

**10.5 Payments Received**

Seller, on the one hand, and Buyer, on the other hand, each agree that, after the Closing, each will hold and will promptly transfer and deliver to the other, from time to time as and when received by them, any cash, cheques with appropriate endorsements (using their best efforts not to convert such cheques into cash) or other property that they may receive on or after the Closing and that property belongs to the other and will account to the other for all such receipts.

**10.6 Adjustment Escrow Amount****10.7 ROFRs**

Although Seller has provided a list of ROFRs in Schedule A.5 for informational purposes only, Buyer shall be solely responsible for the identification of, and compliance with, any ROFRs affecting the Assets and shall indemnify and hold harmless Seller and its Representatives from any claims with respect to Losses and Liabilities made by a Third Party relating to any ROFRs. There shall be no reduction or abatement of the Purchase Price due to the exercise of any ROFR and Buyer shall be entitled to the exercise price from the holder of that ROFR.

**10.8 ECON Approval**

If ECON Approval cannot be obtained prior to or on the Closing Date, then this Agreement including the Schedules shall be deemed to be amended to remove any and all references to Oil and Gas Assets in the Province of Saskatchewan, and the additional credit described in Section 10.1(f) shall be deemed to be deleted and shall be removed from the Interim Statement of Adjustments.

**ARTICLE 11  
CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER TO CLOSE**

The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions; failing which Buyer shall be entitled in its sole discretion to terminate this Agreement:

**11.1 Accuracy of Representations**

The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing (provided that representations and warranties that are confined to a specified date shall speak only as of such date). Buyer shall have received a certificate of Seller to such effect signed by a duly authorized officer thereof. If Buyer determines that there has been a breach or inaccuracy of any of Seller's representations and warranties, it shall provide Seller with notice of such breach or inaccuracy as promptly as reasonably practicable so that Seller may attempt to cure such breach or inaccuracy to Buyer's reasonable satisfaction on or before the Closing Date.

**11.2 Seller's Performance**

The covenants and agreements that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing shall have been duly performed and complied with in all material respects (except that those covenants and agreements that are qualified as to materiality or Material Adverse Effect or similar expressions shall have been duly performed and complied with in all respects), and Buyer shall have received a certificate of Seller to such effect signed by a duly authorized officer thereof.

**11.3 No Order**

No Governmental Authority shall have enacted, issued, promulgated or entered any Order that is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or could cause any of such transactions to be rescinded following the Closing.

**11.4 Seller's Deliveries**

Each of the deliveries required to be made to Buyer pursuant to Section 4.4 shall have been so delivered.

**11.5 Approval and Vesting Order**

The Court shall have entered the Approval and Vesting Order and the Approval and Vesting Order shall be in full force and effect.

**11.6 Material Adverse Effect**

From the date hereof until Closing, the Oil and Gas Assets shall have suffered no Material Adverse Effect.

**11.7 Regulatory Approvals**

The Regulatory Approvals shall have been obtained, including the Licence Transfers, or the Parties shall have determined that such outstanding Regulatory Approvals are not required.

**ARTICLE 12**  
**CONDITIONS PRECEDENT TO THE OBLIGATION OF SELLER TO CLOSE**

Seller's obligation to consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions, failing which Seller shall be entitled in its sole discretion to terminate this Agreement:

**12.1 Accuracy of Representations**

The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects (except that those representations and warranties that are qualified as to materiality or similar expressions shall be true and correct in all respects) as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (provided that representations and warranties that are confined to a specified date shall speak only as of such date), and Seller shall have received a certificate of Buyer to such effect signed by a duly authorized officer thereof.

**12.2 Approval and Vesting Order in Effect**

The Court shall have entered the Approval and Vesting Order and the Approval and Vesting Order shall be in full force and effect.

**12.3 Buyer's Performance**

The covenants and agreements that Buyer is required to perform or to comply with pursuant to this Agreement at or prior to the Closing shall have been performed and complied with in all material respects (except that those covenants and agreements that are qualified as to materiality or similar expressions shall have been duly performed and complied with in all respects), and Seller shall have received a certificate of Buyer to such effect signed by a duly authorized officer thereof.

**12.4 No Order**

No Governmental Authority shall have enacted, issued, promulgated or entered any Order that is in effect and that has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or could cause any of such transactions to be rescinded following the Closing.

**12.5 Buyer's Deliveries**

Each of the deliveries required to be made to Seller pursuant to Section 4.3 shall have been so delivered.

**12.6 Regulatory Approvals**

The Regulatory Approvals shall have been obtained, including the Licence Transfers, or the Parties shall have determined that such outstanding Regulatory Approvals are not required.

**12.7**


**ARTICLE 13**  
**LIABILITIES AND INDEMNITIES**

**13.1 General Indemnity**

If Closing occurs the Buyer shall, without any further necessary action on the part of the Seller or the Buyer:

- (a) assume, perform, pay, discharge and be liable to the Seller for; and
- (b) as a separate covenant, save and hold harmless and indemnify the Seller and each other Seller Party from and against;

all Losses and Liabilities suffered, sustained, paid or incurred by any of them to the extent arising or accruing on or after the Closing Date and which relate to the Assets or the terms and conditions of the Title and Operating Documents, including but not limited to all Losses and Liabilities attributable to the operation, ownership, use, construction or maintenance of the Assets arising or accruing on or after the Closing Date. The Buyer's indemnity obligation set forth in this Section 13.1 shall survive the Closing Date [REDACTED]

**13.2 Environmental Indemnity**

- (a) The Buyer acknowledges that it:
  - (i) is familiar with the condition of the Assets, including the past and present use of the Assets, and it 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
  - (ii) is not relying upon any representation or warranty of the Seller as to the condition, environmental or otherwise, of the Assets.
- (b) The Buyer agrees that once Closing has occurred the Seller shall have no liability whatsoever for any Environmental Liabilities. In this regard, once Closing has occurred, the Buyer shall, without any further necessary action on the part of the Seller or the Buyer:
  - (i) be solely liable and responsible for all of the Seller's Losses and Liabilities; and
  - (ii) as a separate covenant, indemnify, save and hold the Seller and each other Seller Party harmless from and against all Losses and Liabilities that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a result of any act, omission, matter or thing related to any Environmental Liabilities arising, whether arising prior to, on or following the Closing Date, and the Buyer 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, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of the Seller or the Buyer or any other person or otherwise. The Buyer acknowledges and agrees that it shall not be entitled to any rights or remedies as against the Seller or any Seller Party under the common law or statute pertaining to any Environmental Liabilities, including the right to name the Seller or any Seller Party as a 'third party' to



any action commenced by any Person against the Buyer. The Buyer's indemnity obligation set forth in this Section 13.2(b) shall survive the Closing Date indefinitely.

**13.3 No Merger**

There shall not be any merger of any liability or indemnity hereunder in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

**ARTICLE 14  
TERMINATION**

**14.1 Grounds for Termination**

This Agreement may be terminated at any time prior to Closing;

- (a) by mutual written agreement of the Seller and the Buyer;
- (b) by either the Seller or the Buyer pursuant to the provisions of Article 11 or Article 12, as applicable; or
- (c) by either the Seller or the Buyer if Closing has not occurred on or before the Outside Date.

**14.2 Effect of Termination**

If this Agreement is terminated by the Seller or the Buyer as permitted under Section 14.1, then Article 13, Section 15.2 and Section 15.9 shall remain in full force and effect following any such permitted termination, and the remedies available to the Parties in respect of such termination shall be governed by Section 14.3 and 14.4.

**14.3 Disposition of Deposit**

If:

- (a) subject to Section 14.3(b), this Agreement is terminated prior to Closing for any reason other than pursuant to Sections 12.1, 12.3 or 12.5, the Deposit (plus any interest that has actually accrued thereon) shall be returned to Buyer; and
- (b) this Agreement is terminated prior to Closing pursuant to
  - (i) Sections 12.1, 12.3 or 12.5, or
  - (ii) pursuant to Sections 12.2, 12.4 or 12.6 due solely to the actions or inaction of Buyer not made or taken in good faith, and in accordance with Section 7.4,

Seller shall be entitled to retain the Deposit (plus any interest that has actually accrued thereon) as liquidated damages, representing the Parties' genuine pre-estimate of the minimum quantum of damages that will have been sustained by Seller as a result of the failure to complete the Transaction.

**14.4 Disposition of Adjustment Escrow Amount****ARTICLE 15  
GENERAL PROVISIONS****15.1 Survival**

All covenants and agreements contained herein that by their terms are to be performed in whole or in part, or that prohibit actions, subsequent to the Closing shall, solely to the extent such covenants and agreements are to be performed, or prohibit actions, subsequent to the Closing, survive the Closing in accordance with their terms. Subject to the following sentence, all other covenants and agreements contained herein, and all representations and warranties contained herein or in any certificated deliveries hereunder, shall not survive the Closing and shall thereupon terminate, including any Actions for damages in respect of any breach thereof. Notwithstanding anything to the contrary, the indemnity obligations set forth in Sections 13.1 and 13.2 shall survive the Closing.

**15.2 Confidentiality**

The Parties agree that the confidentiality agreement entered into by them and their Affiliates or related parties, dated June 2, 2016 (the "**Confidentiality Agreement**"), shall continue in full force and effect notwithstanding the execution and delivery by the Parties of this Agreement; provided however, that (a) disclosure of matters that become a matter of public record as a result of the CCAA Proceedings and the filings related thereto (including without limitation any information disclosed in order to obtain the Approval and Vesting Order) shall not constitute a breach of such Confidentiality Agreement, and (b) disclosures permitted under this Agreement shall not constitute a breach of such Confidentiality Agreement.

**15.3 Public Announcements**

Unless otherwise required by applicable Legal Requirement or by obligations of Buyer or Seller or their respective Affiliates pursuant to any listing agreement with or rules of any securities exchange, Buyer, on the one hand, and Seller, on the other hand, shall consult with each other before issuing any press release or otherwise making any public statement with respect to this Agreement, the Transaction or the activities and operations of the other and shall not issue any such release or make any such statement without the prior written consent of the other (such consent not to be unreasonably withheld or delayed).

**15.4 Notices**

All notices, consents, waivers and other communications under this Agreement must be in writing and shall be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by email (with read receipt requested, with the receiving Party being obligated to respond affirmatively to any read receipt requests delivered by the other Party), (c) received by the addressee, if sent by a delivery service (prepaid, receipt requested) or (d) received by the addressee, if sent by registered or certified mail (postage prepaid, return receipt requested), in each case to

the appropriate addresses and representatives (if applicable) set forth below (or to such other addresses and representatives as a Party may designate by notice to the other Parties):

(a) If to Seller, then to:

Endurance Energy Ltd.  
c/o Burnet, Duckworth & Palmer LLP  
2400, 525 – 8 Avenue S.W.  
Calgary, Alberta T2P 1G1

Attention: Carolyn A. Wright  
E-mail: caw@bdplaw.com

with a copy (which shall not constitute notice) to:

Thornton Grout Finnigan LLP  
Suite 3200, 100 Wellington Street West  
P.P Box 329, Toronto-Dominion Centre  
Toronto, Ontario M5K 1K7

Attention: Leanne Williams  
E-mail: lwilliams@tgf.ca

(b) If to Buyer, then to:

1994450 Alberta Inc.  
206, 4935 Dalton Dr. N.W.  
Calgary, AB T3A 2E5

Attention: Hao Wang  
E-mail: 

#### 15.5 Waiver, Waiver of Damages

Neither the failure nor any delay by any Party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement shall operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege shall preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no waiver that may be given by a Party shall be applicable except in the specific instance for which it is given, and (b) no notice to or demand on one Party shall be deemed to be a waiver of any right of the Party giving such notice or demand to take further action without notice or demand. Notwithstanding anything to the contrary contained herein, no party shall be liable to the other for special, indirect, exemplary or punitive damages arising out of, associated with, or relating to this Agreement (including loss of profit or business interruptions, however same may be caused) and the Parties hereby waive all claims for any such damages.

#### 15.6 Entire Agreement; Amendment

This Agreement (including the Schedules) and the other Transaction Documents supersede all prior agreements between Buyer, on the one hand, and Seller, on the other hand, with

respect to its subject matter and constitute a complete and exclusive statement of the terms of the agreements between Buyer, on the one hand, and Seller, on the other hand, with respect to their subject matter. This Agreement may not be amended except by a written agreement executed by all of the Parties.

#### **15.7 Assignment**

This Agreement, and the rights, interests and obligations hereunder, shall not be assigned by any Party by operation of law or otherwise without the express written consent of the other Party (which consent may be granted or withheld in the sole discretion of such other Party); provided however, that Buyer shall be permitted, upon prior notice to Seller (which notice shall expressly identify the name, address and contact information of any such assignee and which must be delivered on or before the third (3rd) Business Day following the date of execution hereof), to assign all or part of its rights or obligations hereunder to one or more of its Affiliates, but no such assignment shall relieve Buyer of its obligations under this Agreement.

#### **15.8 Severability**

The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability.

#### **15.9 Expenses**

Whether or not the transactions contemplated by this Agreement are consummated, the Parties shall bear their own respective expenses (including all compensation and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with this Agreement and the Transaction.

#### **15.10 Post-Closing Books and Records and Personnel**

All of the information, materials and other records delivered to Buyer pursuant to the terms hereof shall be maintained in good order and good condition and kept in a reasonably accessible location by Buyer and its Affiliates for a period of two (2) years from the Closing Date or for any longer period as may be required under applicable Legal Requirements (the "**Retention Period**"). At any time prior to the expiration of the Retention Period, Buyer may destroy or give up possession of any such information or materials if it first delivers at least 20 days' prior notice to Seller containing a detailed listing of the information and materials proposed to be destroyed and offering Seller the opportunity, at the expense of Seller, to obtain delivery of or a copy of so much of such information or materials as Seller, as applicable, in its sole discretion, desires. Until the completion of the CCAA Proceedings or the liquidation and winding up of Seller's estates, Seller shall preserve and keep the information, materials and other records to be delivered to Buyer pursuant to the terms hereof and, at Buyer's sole expense, shall make such information, materials and other records, and Seller's personnel available to Buyer as may be reasonably required by Buyer in connection with, among other things, any insurance claims by, Proceedings, Actions or Tax audits against, or governmental investigations of, Buyer or any of its Affiliates or in order to enable Buyer to comply with its obligations under this Agreement and each other Transaction Document.

**15.11 Successor Operator**

Seller shall use its commercially reasonable efforts to support Buyer's efforts to be appointed or to have a designee appointed as the successor operator of those Oil and Gas Assets that Seller currently operates. Notwithstanding the foregoing, Seller makes no representations or warranties to Buyer as to the transferability of operatorship of any Oil and Gas Assets that Seller currently operates. Rights and obligations associated with operatorship of the Oil and Gas Assets are governed by operating agreements or similar agreements and will be determined in accordance with the terms of such agreements.

**15.12 Time of Essence**

Time shall be of the essence with respect to all time periods and notice periods set forth in this Agreement.

**15.13 Waiver of *The Land Contracts (Actions) Act***

*The Land Contracts (Actions) Act* of the Province of Saskatchewan shall have no application to any action (as defined in *The Land Contracts (Actions) Act*) with respect to this Agreement.

**15.14 Waiver of *The Limitation of Civil Rights Act***

*The Limitation of Civil Rights Act* of the Province of Saskatchewan shall have no application to this Agreement, or any mortgage, charge or other security for the payment of money made, given or created by this Agreement, or any agreement or instrument renewing or extending or collateral to this Agreement, or the rights, powers or remedies of Seller or Buyer under this Agreement.

**15.15 Governing Law; Consent to Jurisdiction and Venue;**

- (a) Except to the extent the mandatory provisions of the CCAA apply, this Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the Province of Alberta applicable hereto.
- (b) The Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes that may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the Transaction and any and all claims relating to the foregoing shall be filed and maintained only in the Court, and the Parties hereby consent and submit to the exclusive jurisdiction and venue of the Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such Action or Proceeding. The Parties consent to service of process by mail (in accordance with Section 15.4) or any other manner permitted by law.

**15.16 Parties in Interest; No Third Party Beneficiaries**

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. This Agreement is for the sole benefit of the Parties and their permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable benefit, claim, cause of action, remedy or right of any kind.

**15.17 Non-Recourse**

No past, present or future director, officer, employee, incorporator, member, partner or equity holder of Buyer or Seller shall have any Liability for any obligations or liabilities of such Party under this Agreement or any other Transaction Document, for any claim based on, in respect of, or by reason of the Transaction and thereby.

**15.18 Disclosure Schedules; Materiality**

The inclusion of any matter in the Disclosure Schedule shall be deemed to be an inclusion for all purposes of this Agreement, to the extent that such disclosure is sufficient to identify the matter to which such disclosure is responsive and reasonably apparent on its face, but inclusion therein shall not be deemed to constitute an admission, or otherwise imply, that any such matter is material or creates a measure for materiality for purposes of this Agreement. The disclosure of any particular fact or item in the Disclosure Schedule shall not be deemed an admission as to whether the fact or item is "material" or would constitute a "Material Adverse Effect".

**15.19 Counterparts**

This Agreement and any amendment hereto may be executed in two or more counterparts, each of which shall be deemed to be an original of this Agreement or such amendment and all of which, when taken together, shall constitute one and the same instrument. Notwithstanding anything to the contrary in Section 15.4, delivery of an executed counterpart of a signature page to this Agreement or any amendment hereto by facsimile or email attachment shall be effective as delivery of a manually executed counterpart of this Agreement or such amendment, as applicable.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized representatives, all as of the day and year first above written.

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**1994450 ALBERTA INC.**

Per: \_\_\_\_\_  
Name: Hao Wang  
Title: Director

*(Signature Page to the Asset Purchase Agreement dated September 21, 2016 between Endurance Energy Ltd. and 1994450 Alberta Inc.)*