

CLERK OF THE COURT
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JAN 10 2017
CALGARY, ALBERTA

COURT FILE NUMBER 1601-11552
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA, IN ITS
CAPACITY AS ADMINISTRATIVE AGENT
RESPONDENTS TWIN BUTTE ENERGY LTD.
DOCUMENT **THIRD REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER AND
MANAGER OF TWIN BUTTE ENERGY LTD.**

January 9, 2017

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. On September 1, 2016 (the **“Date of Appointment”**), FTI Consulting Canada Inc. was appointed as receiver and manager (the **“Receiver”**) of all of the assets, undertakings and properties (the **“Property”**) of Twin Butte Energy Ltd. (**“Twin Butte”** or the **“Company”**) pursuant to an Order of the Honourable Madam Justice Romaine (the **“Receivership Order”**).
2. The Receivership Order authorized the Receiver, amongst other things, to manage, operate and carry on the business of the Company, to market any or all the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. On October 11, 2016, an order (the **“SISP Order”**) was granted approving the Receiver’s proposed sales and investor solicitation process (**“SISP”**), which was attached as Appendix A to the Second Report of the Receiver. The SISP Order also authorized the Receiver to engage CIBC World Markets (**“CIBC”**) and Peters & Co. Limited (**“Peters”**) (collectively **“Selling Agents”**) as selling agents to market all of the assets and properties of Twin Butte in accordance with the terms of the SISP.
4. The Receiver’s reports and other publically available information in respect of these proceedings (the **“Receivership Proceedings”**) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/twinbutte> (the **“Receiver’s Website”**).
5. The purpose of this report (**“Third Report”**) is to inform the Court of the following:
 - (a) the Receiver’s Activities since the Receiver’s Second Report dated October 7, 2016;

- (b) the Receiver's receipts and disbursements from the Date of Appointment to January 6, 2017;
 - (c) the Receiver's summary of the marketing efforts undertaken by the Selling Agents to solicit offers to purchase Twin Butte's oil and gas assets and properties ("Assets"); and
 - (d) the Receiver's summary and recommendations with respect to a purchase and sale agreement (the "HOC PSA") between the Receiver and Henenghaixin Operating Corp ("HOC").
6. The Receiver is requesting the following relief from this Honourable Court:
- (a) approval of the activities of the Receiver since the Date of Appointment including its receipts and disbursements; and
 - (b) approval of the HOC PSA.

TERMS OF REFERENCE

7. In preparing this Third Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "Information").
8. Except as described in this Third Report:
- (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and

- (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this Third Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
- 9. Future oriented financial information reported or relied on in preparing this Third Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
- 10. The Receiver has prepared this Third Report in connection with the Receiver's Application dated January 18, 2017. This Third Report should not be relied on for other purposes.
- 11. Information and advice described in this Third Report that has been provided to the Receiver by its legal counsel, Norton Rose Fulbright Canada LLP (the "Receiver's Counsel"), was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
- 12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

RECEIVER'S ACTIVITIES

- 13. Since the date of the Receiver's Second Report the Receiver has continued with the following initiatives:
 - (a) Continue to operate Twin Butte's business in the normal course with no material adverse change;

- (b) Worked in consultation with Twin Butte employees, the Receiver's Counsel and the Selling Agents to execute the sales and marketing process pursuant to the terms of the Court approved SISP;
- (c) Corresponded with creditors on ongoing suppliers on a regular basis; and
- (d) Worked with joint venture partners to reconcile aged accounts and billings in an attempt to collect on old/previously disputed accounts receivables.

SUMMARY OF RECEIPTS AND DISBURSEMENT

14. Receipts and Disbursements from the Date of Appointment to January 6, 2017, are summarized as follows:

Schedule of Receipts and Disbursements	
As at January 6, 2017	
\$000's CAD	
Operating Receipts	
Receiver's Borrowings	8,800,000
Revenue	51,827,767
GST Collected	2,443,750
Royalty & Misc Revenue	482,320
Total - Operating Receipts	63,553,837
Operating Disbursements	
Repayments on Receiver's Borrowings	8,800,000
Royalty Expense	1,892,384
Operating Expense	30,159,234
Capital Maintenance & Expenditures	1,806,767
Contract Operators	3,377,350
Occupation Rent (G&A)	794,862
Payroll - Employee Related Obligations	3,235,093
Insurance	1,514,505
GST/HST Paid	998,352
Bank & Interest Charges	181,700
Professional Fees	931,432
Total - Operating Disbursements	53,691,679
Net Cash on Hand	9,862,158

- (a) Receiver's Borrowings relate to borrowings under the Receiver's certificate in order to provide working capital to fund ongoing operations. The Receiver's Borrowings were originally incurred to fund initial working capital requirements required immediately following the granting of the Receivership Order;
- (b) Revenue relates to funds collected by the Receiver in respect of the revenue from the Company's producing oil and gas assets;
- (c) GST Collected relate to tax credits collected on the revenue generated throughout the receivership period;
- (d) Royalty and miscellaneous revenue relate mainly to revenue received from Twin Butte's gross overriding and freehold royalty interests in various non-operated properties;
- (e) Repayment of Receiver's borrowings relate to the repayment of funds borrowed by the Receiver (see (a) above);
- (f) Operating Expenses relate to the payments of ongoing operating costs;
- (g) Royalty relate to royalties paid to the crown, freehold and gross overriding royalty owners related to ongoing oil and gas production;
- (h) Capital and Maintenance expenditures relate to various maintenance and capital projects completed to maximize ongoing production and to preserve various mineral interest;
- (i) Contract Operators comprise amounts paid to third party field operators who operate the properties;

- (j) Occupation rent comprises rent paid related to the Company's head office and various field locations;
 - (k) Payroll relates to amounts paid to Twin Butte employees who are assisting the Receiver in running the operations;
 - (l) Insurance relates to amounts disbursed in respect of insurance for employees as well as operating insurance for field properties;
 - (m) GST/HST paid comprises sales taxes paid on goods and services provided to the Receiver;
 - (n) Bank interest and charges relate to interest and fees paid related to the Receiver's borrowings; and
 - (o) Professional Fees comprise the Receiver's Fees, Receiver's Counsel's fees and fees paid to the Selling Agents in respect of the Receivership Proceedings.
15. Cash on Hand – at January 6, 2017 the Receiver currently holds \$9,862,158 in funds.

SALES AND INVESTOR SOLICITATION PROCESS

Summary of marketing efforts

16. As described above, on October 11, 2016 this Honourable Court granted the SISP Order authorizing the Receiver to engage the Selling Agents and directing to initiate a sales and marketing process in accordance with the terms of the Court approved SISP.

17. On October 12, 2016 the Selling Agents launched the SISP. A summary of the Selling Agents marketing efforts include the following:
- (a) Drafting a marketing teaser information memorandum (“**Teaser**”) summarizing the opportunity, the SISP and where interested parties could obtain additional information;
 - (b) E-mailing of the Teaser to a list of potential financial, strategic and foreign buyers (collectively “**Potential Purchasers**”) compiled by the Selling Agents. The Teaser was sent to approximately 636 Potential Purchasers;
 - (c) Advertising the opportunity in the Daily Oil Bulletin on October 12, 2016;
 - (d) Posting the Teaser, the SISP and a draft form confidentiality agreement on the Selling Agents websites and on the Receiver’s website on October 12, 2016;
 - (e) On October 12, 2016 the opportunity was also covered in the BOE Report, an industry publication;
 - (f) The Selling Agents made targeted phone calls to potential buyers that were known by the Selling Agents to have a potential interest in the opportunity or who participated in the pre-filing sales efforts. For reference, as described more fully in the Receiver’s First Report, Twin Butte launched a strategic alternatives process prior to the receivership on December 9, 2015 (the “**Pre-filing Process**”). The Pre-filing Process lasted for approximately 7 months and was publicly disclosed to the market. Furthermore, one of the Selling Agents, Peters, was also involved in running the Pre-filing Process and accordingly Peters was able to leverage the knowledge gained through the Pre-filing process to make targeted inquiries in SISP; and

- (g) The Selling Agents prepared a detailed information memorandum that summarized the opportunity and SISP and virtual data room that included diligence information to parties who executed confidentiality agreements.
18. In the Receiver's view, the marketing efforts exposed the Company's assets and operations to the marketplace and resulted in strong interest in the Twin Butte opportunity based on the following:
- (a) a total of 58 confidentiality agreements ("CAs") were signed;
 - (b) a total of 56 parties who signed CAs were determined to be qualified phase I bidders ("**Qualified Phase I Bidders**") pursuant to the terms of the SISP and accordingly granted access to the virtual data room; and
 - (c) the Receiver, the Selling Agents and the remaining management of Twin Butte completed 12 in-person presentations to interested buyers.

Phase I

19. The SISP contemplated a two phase bid structure. Qualified Phase I Bidders were advised that the SISP called for non-binding indications of interest or restructuring proposals (collectively "**Phase I Bids**") by November 17, 2016 ("**Phase I Bid Deadline**").
20. By the Phase I Bid Deadline a total of 30 Phase I Bids were received from 30 different bidders ("**Phase I Bidders**"). The Phase I Bids included:
- (a) 9 en bloc offers to purchase all of the Assets;
 - (b) 21 offers to purchase various individual packages of the Assets; and
 - (c) No restructuring proposals.

21. Given the commercially sensitive nature of the bid information and the fact that a sale of Twin Butte's Assets has not yet been approved by Court or closed, the Receiver has prepared a confidential supplement to this Third Report (the "**Confidential Supplemental Report**"), which includes detailed bid information. The Receiver has provided a summary of the bids ("**Phase I Bid Summary**") that were received by the Phase I Bid Deadline that was prepared by the Selling Agents at Appendix A to the Monitor's Confidential Supplemental Report.

22. The Receiver reviewed the Phase I Bids in consultation with the Receiver's Counsel and the Selling Agents to determine which Phase I Bids should be advanced to second phase of the SISP ("**Phase II**"). The following factors were considered when determining which Phase I Bids should be advanced to Phase II;
 - (a) Overall purchase price;
 - (b) Assets being purchased;
 - (c) Statutory, regulatory or internal approvals required;
 - (d) Key dates including the proposed effective date and the closing date of the transaction;
 - (e) Financing conditions and the Phase I Bidders' financial ability to close; and
 - (f) The amount of due diligence that the Phase I Bidders had completed to date.

23. After reviewing the Phase I Bids, the Receiver, in consultation with the Receiver's Counsel and the Selling Agents, the Receiver determined that 7 Phase I Bidders should be advanced to Phase II of the process (collectively, the "**Phase II Bidders**").

Phase II

24. On November 23, 2016, the Phase II Bidders were notified by the Selling Agents that they had been advanced to Phase II of the SISP. Phase II provided Phase II Bidders the opportunity to have further access to confirmatory due diligence materials and information regarding mineral titles, contracts and environmental diligence items. Phase II Bidders were also provided the opportunity to complete field visits. The Phase II period also provided Phase II Bidders additional time to firm up financing arrangements, if required. The Phase II Bidders were required to submit binding bids ("**Phase II Bids**") by December 15, 2016 ("**Phase II Bid Deadline**"). Pursuant to the terms of the SISP, Phase II Bids were, amongst other items, to:
- (a) Identify the form of consideration being proposed to satisfy the purchase price and estimated value of the consideration in Canadian dollars;
 - (b) Identify the contracts, agreements or other arrangements held by Twin Butte that are to be assumed by the Phase II Bidder under its Phase II Bid or Restructuring Proposal;
 - (c) include written evidence of required financing and that it was not conditional upon financing or additional diligence; and
 - (d) be accompanied by a refundable deposit (the "**Deposit**") in an amount equal to ten percent (10%) of the total consideration set out in its Phase II Bid; and an executed definitive agreement together with a blackline against the draft of the form of Definitive Agreement that was provided by the Receiver's Counsel.
25. On the Phase II Bid Deadline, a total of 7 Phase II Bids were received. The Receiver reviewed the Phase II Bids in consultation with the Receiver's Counsel and the Selling Agents. A summary of the Phase II Bids is attached as Appendix B to the Confidential Supplemental Report.

26. The following factors were considered when determining which of the Phase II Bids would be selected as the successful bid:
- (a) Overall purchase price;
 - (b) Assets being purchased;
 - (c) Statutory, regulatory or internal approvals required, if any;
 - (d) Key dates including the proposed effective date and the closing date of the transaction;
 - (e) Any remaining due diligence or financing conditions, if any;
 - (f) Whether the Phase II Bid was submitted with the Deposit and the terms upon which the Deposit provided; and
 - (g) Whether the Phase II Bid was accompanied by the form of draft definitive purchase and sale agreement that had previously been provided to Phase II Bidders by the Receiver. Consideration was given to whether or not the form purchase sale agreement had been modified and if the form purchase and sale agreement had been modified, whether the modifications were acceptable to the Receiver.
27. Certain of the Phase II Bids submitted by Phase II Bidders (“**Competitive Phase II Bidders**”) at the Phase II Bid Deadline were very comparable and competitive with respect to purchase price and overall conditions (referred to as the “**Competitive Bids**”). Details with respect to Competitive Phase II Bidders and the Comparative Bids have been more fully described in the Confidential Supplemental Report.

28. After consulting with the Receiver's Counsel and the Selling Agents, the Receiver concluded that the Receiver would request the Competitive Phase II Bidders to revisit their respective Phase II Bids in order to clarify certain items in the marked up asset purchase agreement including, amongst other items, closing dates, closing conditions, seller's and purchaser's conditions and purchase price.
29. On December 15, 2016, the Competitive Phase II Bidders were informed by the Selling Agents that they had submitted a Competitive Bid and that they would be provided until December 20, 2016 to re-submit their best and final offer clarifying the items set out above in paragraph 28 of this Report.
30. On December 20, 2016 best and final offers were received from all of the Competitive Phase II Bidders. The Receiver notes that all of the Competitive Phase II Bidders were advised by the Selling Agents that this would be the last opportunity to clarify and improve any aspects of their respective Phase II Bids.
31. Based on the analysis and reasons more fully described in the Confidential Supplemental Report, the Receiver, after review of revised bids from Competitive Phase II Bidders selected the re-submitted Phase II Bid submitted by an HOC affiliate as the successful bid and accordingly has proceeded to finalize a formal purchase and sale agreement with HOC.

HENENGHAIXIN OPERATING CORP PURCHASE AND SALE

32. The Receiver has entered into the HOC PSA dated December 23, 2016. A redacted copy of the HOC PSA is attached as Appendix A to this Report and a non-redacted copy is attached as Appendix D to the Confidential Supplemental Report. A summary of the key commercial terms of the HOC PSA are as follows:

- (a) Purchase Price – the Receiver is of the view that the Purchase Price is commercially sensitive information and that disclosing the purchase price publicly prior to the closing of the transaction set out in the HOC PSA (the “**HOC Transaction**”) could cause significant financial harm to a future sales process in the event the HOC Transaction does not close. Accordingly, the Receiver has disclosed the purchase price in the Confidential Supplemental Report only. While the purchase price remains confidential, the Receiver can confirm that the purchase price is sufficient to pay all secured lenders in full (including potential lien amounts) and provide for a substantial distribution to the unsecured creditors;
- (b) Deposit – the Receiver is currently holding a deposit (“**Initial Deposit**”) in the amount of approximately 10% of the Purchase price. The deposit is non-refundable except if Court approval of the HOC PSA is not obtained;
- (c) The HOA Transaction contemplates an *en bloc* purchase that includes all of Twin Butte’s oil and gas assets;
- (d) HOC has advised that they intend to provide the majority of the current Twin Butte staff with offers of employment upon closing;
- (e) Effective date – December 1, 2016;
- (f) Closing date – target closing date of January 31, 2017 with an outside closing date of February 28, 2017. A 30 day closing date extension to March 30, 2017 is available to HOC if they have not obtained or been denied regulatory approval by February 28, 2017. However an additional deposit (“**Additional Deposit**”) is required to be paid by HOC by February 28, 2017 if HOC wishes to be granted the 30 day extension. The amount of the Additional Deposit has been disclosed in the Confidential Supplemental Report. The Initial Deposit plus the Additional Deposit will be forfeited by HOC if the closing does not occur by March 30, 2017; and

- (g) Not subject to any material conditions other than that HOA PSA provides that the HOA Transaction is subject to approval by this Honourable Court.

STAKEHOLDER DISCUSSIONS AND COMMUNICATIONS

33. The Receiver advises that the National Bank of Canada, in its capacity as administrative agent to the secured bank lending syndicate (the “**Secured Lenders**”) supports the approval of the HOC PSA. The Receiver and the Selling Agents have provided periodic updates to the Secured Lenders with respect to the activities and results of the SISP.
34. On December 15, 2016, the Receiver’s Counsel received a letter from Bennett Jones LLP, counsel for an ad hoc committee (the “Ad Hoc Group”) of unaffiliated senior debenture holders that hold certain of Twin Butte's 6.25% convertible unsecured subordinated debentures.
35. The counsel to the Ad Hoc Group requested in its December 15, 2016 letter that the Receiver extend the Phase II Bid deadline set out in the SISP from December 15, 2016 to at least to the end of January 2017 and also that the Receiver reopen the process to Phase 1 Bidders.
36. The Ad Hoc Group suggested that the SISP process should be re-opened and extended given the recent improvement in commodity prices and that the Christmas holidays were near and that extended/re-opening the process would allow for enhanced bids to be generated and received.
37. The Receiver’s Counsel responded to the counsel to the Ad Hoc Group on December 20, 2016 advising that while the Receiver and Selling Agents had carefully considered the Ad Hoc Group’s concerns and hope to work collaboratively with the Ad Hoc Group in the context of the Twin Butte receivership, the Receiver respectfully declined to extend the SISP timelines.

38. The Receiver further notes that the Ad Hoc Group did not participate in the SISP or submit a Phase I or Phase II bid.
39. A copy of the Ad Hoc Group's counsel letter dated December 15, 2016 is attached at Appendix B to this Report and the Receiver's Counsel's letter dated December 20, 2016 is attached at Appendix C to this Report.

RECEIVER'S ANALYSIS OF THE OFFER TO PURCHASE

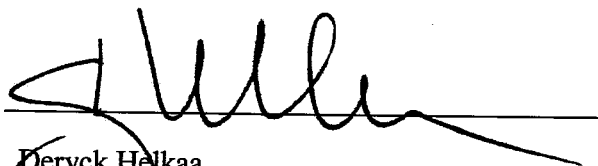
40. The Receiver has concluded that the HOC PSA represents the best value that could be reasonably be obtained for the Company's Assets in the present circumstances for all stakeholders based on following:
 - (a) the Assets have been adequately exposed to the market through the marketing processes completed by the Company prior to the Date of Appointment and also through the Court approved SISP completed by the Receiver and its Selling Agents;
 - (b) The sales and marketing efforts were completed in accordance with the SISP;
 - (c) The SISP produced significant interest in the assets and operations of the Company as supported by the number of bids received; and
 - (d) The banking syndicate is the largest secured creditor in the Receivership Proceeding and supports the Receiver closing the HOC Transaction.

RECOMMENDATIONS

41. The Receiver respectfully requests that this Honourable Court grant the following relief:
- (a) approving the Receiver's actions, conduct and activities since the Date of Appointment; and
 - (b) approval of the HOC PSA.

All of which is respectfully submitted this 9th day of January, 2017.

FTI Consulting Canada Inc.,
in its capacity as receiver and manager
of the assets, undertakings and properties of
Twin Butte Energy Ltd.



Deryck Helkaa
Senior Managing Director, CA, CPA, CIRP



Dustin Oliver
Managing Director, CA, CPA

Appendix A

Redacted HOC PSA

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of the 23rd day of December, 2016.

BETWEEN:

FTI CONSULTING CANADA INC., solely in its capacity as the receiver and manager of **TWIN BUTTE ENERGY LTD.**, and not in its personal or corporate capacity (hereinafter referred to as "**Vendor**")

- and -

HENENGHAIXIN OPERATING CORP., a corporation incorporated under the laws of Alberta (hereinafter referred to as "**Purchaser**")

WHEREAS pursuant to an order of the Honourable Madam Justice B.E.C. Romaine of the Alberta Court of Queen's Bench (the "**Court**") dated September 1, 2016 (the "**Appointment Order**"), FTI Consulting Canada Inc. ("**Receiver**") was appointed receiver and manager of Twin Butte Energy Ltd. ("**Twin Butte**");

AND WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, all of the interest of Vendor in and to the Assets, subject to and in accordance with the terms and conditions hereof;

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:



- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations to:
- (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands; and
 - (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells and the Tangibles and any lands used to gain access thereto, including such obligations relating to wells, pipelines and facilities which were abandoned or decommissioned prior to the Effective Time that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws, provided however that such obligations and liabilities do not include obligations and liabilities solely associated with the Excluded Contracts;

- (b) **"Affiliate"** means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term **"control"** as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than fifty percent (50%) of the voting securities of such Person, by contract or otherwise;
- (c) **"Applicable Law"** means, in relation to any person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, license or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (d) **"Assets"** means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests;
- (e) **"Assumed Corporate Contracts"** means those contracts specified in Schedule "H" hereto;
- (f) **"Business Day"** means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (g) **"Closing"** means the transfer of possession, beneficial ownership and risks of the Assets from Vendor to Purchaser, the exchange of Specific Conveyances and payment of the Purchase Price by Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto;
- (h) **"Closing Date"** means 10:00 a.m. (Calgary time) on the later of:
 - (i) January 31, 2017;
 - (ii) the day that is three (3) Business Days after receipt of the Court Order;
 - (iii) the day that is three (3) Business Days after waiver, expiry or satisfaction of all Rights of First Refusal; or
 - (iv) the day that is three (3) Business Days after the date upon which the last Regulatory Approval has been received;or such other time and date as may be agreed upon in writing by the Parties;
- (i) **"Closing Place"** means the offices of Norton Rose Fulbright Canada LLP, Suite 3700, 400 3rd Ave SW, Calgary, AB or such other place as may be agreed upon in writing by the Parties;
- (j) **"Commissioner"** means the Commissioner of Competition appointed pursuant to subsection 7(1) of the *Competition Act* or his designee;
- (k) **"Competition Act"** means the *Competition Act*, R.S.C. 1985, c.C-34, as amended;
- (l) **"Competition Act Approval"** means the occurrence of one or more of the following:

- (I) an advance ruling certificate pursuant to section 102 of the Competition Act shall have been issued by the Commissioner in respect of the transactions contemplated by this Agreement;
 - (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 and confirmed, in writing, that he does not, at that time, intend to make an application under section 92 of the Competition Act; or
 - (III) the Parties shall have notified the Commissioner under section 114 of the Competition Act and the relevant waiting period under section 123 of the Competition Act shall have expired or been terminated;
- (m) **"Court Order"** means an order to be granted by the Court, in a form and substance similar to that attached in Schedule "F", as may be further amended by the mutual agreement of the Parties hereto, which: (i) authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein; (ii) vests beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or claims, other than Permitted Encumbrances; and, (iii) seals this Agreement and any and all other filed confidential documents or information pertaining thereto or to the Transactions until three (3) months after Closing;
- (n) **"Data Room Information"** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Twin Butte and/or the Assets;
- (o) **"Date of Appointment"** means September 1, 2016;
- (p) **"Effective Date"** means December 1, 2016;
- (q) **"Environmental Liabilities"** means all liabilities in respect of the environment which relate to the Assets or which arise in connection with the ownership thereof or operations pertaining thereto, including without limitation, liabilities related to or arising from:
- (I) transportation, storage, use or disposal of toxic or hazardous substances;
 - (II) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (III) pollution or contamination of or damage to the environment;
- Including, without limitation, liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (I), (II) and (III) above (including, without limitation, damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the environment and, for purposes of this Agreement, "the environment" includes, without limitation, the air, the surface and subsurface of the earth, bodies of water (including, without limitation, rivers, streams, lakes and aquifers) and plant and animal life (including humans);
- (r) **"Excluded Contracts"** means those agreements, contracts and arrangements set forth in Schedule "G".
- (s) **"Facilities"** means Vendor's entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are, or have been, used for production, gathering, treatment, compression, transportation, injection, water disposal, measurement, processing, storage

or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, pipeline, production storage facility or warehouse, including, without limitation, those field facilities specifically identified in Schedule "B";

- (t) 
- (u) 
- (v) **"General Conveyance"** means the form of general conveyance attached hereto as Schedule "D";
- (w) **"Governmental Authority"** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, or department, including any government-owned entity, having jurisdiction over a Party, the Assets or the Transaction;
- (x) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (y) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder;
- (z) **"Included Seismic"** means the seismic data relating to or in respect of Vendor's 100% proprietary seismic data lines and, to the extent transferable, in respect of all partner seismic, all as listed in Schedule "I".
- (aa) **"Lands"** means the lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (bb) **"Leased Substances"** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (cc) **"Licence Transfers"** means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations granted by any applicable Governmental Authority;
- (dd) **"Losses"** means all losses, costs, claims, damages, expenses and liabilities which a Party suffers, sustains, pays or incurs, including reasonable legal fees on a solicitor and his own client basis but notwithstanding the foregoing shall not include any liability for indirect or consequential damages including business loss, loss of profit, economic loss, punitive damages or income tax liabilities;
- (ee) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, Vendor's entire interest in and to all property, assets, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation any and all of the following:

- (I) all contracts and agreements, other than the Excluded Contracts, relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
- (II) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licenses and authorizations pertaining to the Tangibles;
- (III) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them;
- (IV) all records, books, documents, licences, reports, files, correspondence and data (including historical data) which relate to the Petroleum and Natural Gas Rights and the Tangibles, or either of them including any of the foregoing that pertain to geological or geophysical matters;
- (V) the Wells, including the wellbores and any and all casing;
- (VI) the Included Seismic, subject to consents of all Third Parties and Purchaser's payment of fees which may be owed to Third Parties as a result of a transfer to Purchaser, as applicable; and
- (VII) the Assumed Corporate Contracts, to the extent that they are transferable and subject to the consents of all Third Parties and Purchaser's payment of fees which may be owed to Third Parties as a result of a transfer to Purchaser, as applicable.

Notwithstanding the foregoing, unless otherwise agreed in writing by the Parties, the Miscellaneous Interests shall not include agreements, documents or data to the extent that (I) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Twin Butte to an assignee, except as provided in 1.1(ee)(vii); or (II) they are Excluded Contracts. For greater certainty, if any Assumed Corporate Contract or Included Seismic is not assigned to Purchaser for any reason, there shall not be any adjustment of the Purchase Price;

- (ff) "Outside Date" means February 28, 2017, subject to the right of Purchaser to postpone the Outside Date for up to 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, [REDACTED]
- (gg) "Party" means a party to this Agreement;
- (hh) "Permitted Encumbrances" means:
 - (I) all encumbrances, overriding royalties, net profits interests and other burdens identified in Schedule "A";
 - (II) any Right of First Refusal or any similar restriction (including the [REDACTED] applicable to any of the Assets;
 - (III) the terms and conditions of the Title Documents, including, without limitation, the requirement to pay any rentals or royalties to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;

- (iv) the right reserved to or vested in any grantor, Governmental Authority or other public authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, right of way, servitudes or other similar rights in land, including, without in any way limiting the generality of the foregoing, rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables which do not materially impair the use and enjoyment of the Assets;
 - (vi) taxes on Petroleum Substances or the Income or revenue therefrom, unless specifically excluded and governmental restrictions on production rates from the Wells or on operations being conducted on the Lands or otherwise affecting the value of any of the Assets;
 - (vii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than thirty (30) days' notice (without an early termination penalty or other cost);
 - (viii) any obligation of Twin Butte or Vendor to hold any portion of its interest in and to any of the Assets in trust for Third Parties;
 - (ix) the right reserved to or vested in any municipality, Governmental Authority or other public authority to control or regulate any of the Assets in any manner, including any directives or notices received from any municipality, Governmental Authority or other public authority pertaining to the Assets;
 - (x) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Vendor's or Twin Butte's share of the costs and expenses thereof which are not due or delinquent as of the date hereof;
 - (xi) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
 - (xii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiii) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xiv) liens granted in the ordinary course of business to a public utility, municipality or Governmental Authority with respect to operations pertaining to any of the Assets.
- (ii) "Person" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (ii) "Petroleum and Natural Gas Rights" means Vendor's entire interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including, without limitation, the interests set out and described in Schedule "A";

- (kk) **"Petroleum Substances"** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including without limitation, sulphur;
- (ll) **"PRC Regulatory Approvals"** means the approvals in respect of the Transaction from each of: (i) the State Administration of Foreign Exchange; (ii) the Ministry of Commerce, Qingdao Branch; and (iii) the Qingdao Development and Reform Commission, each of the People's Republic of China;
- (mm) **"Prime Rate"** means the rate of interest, expressed as a rate per annum, designated by the main branch in Calgary of the Royal Bank of Canada as the reference rate used by it to determine rates of interest charged by it on Canadian dollar commercial loans made in Canada and which is announced by such bank, from time to time, as its prime rate, provided that whenever such bank announces a change in such reference rate the "Prime Rate" shall correspondingly change effective on the date the change in such reference rate is effective;
- (nn) **"Regulatory Approvals"** means, collectively the Competition Act Approval and the PRC Regulatory Approvals;
- (oo) **"Representative"** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, servants, agents, advisors, employees and consultants;
- (pp) **"Rights of First Refusal"** means a preferential, pre-emptive or first purchase right that becomes operative by virtue of this Agreement or the Transaction;
- (qq) **"Sales Taxes"** means all transfer, sales, excise, stamp, license, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind, and includes, but is not limited to, additions by way of penalties, interest and other amounts with respect thereto, but excludes GST;
- (rr) **"Specific Conveyances"** means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable to convey, assign and transfer the Interest of Vendor in and to the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (ss) **"Tangibles"** means Vendor's entire interest in and to:
 - (i) the Facilities and any and all tangible depreciable property and assets, if any, which are located within, upon or in the vicinity of the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them, and any real property (other than the Lands);
 - (ii) 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, vehicles, 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, to the extent such items are transferable to Vendor;

- (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, to the extent such items are transferable to Vendor; and
- (iv) all furniture, copiers, office equipment, phone lines, satellite services, cellular modems, cell phones, computer hardware, servers, plotters, computer software, software licenses, printers, routers and other equipment, to the extent such items are transferable to Vendor;
- (tt) **"Third Party"** means any individual or entity other than Receiver, Twin Butte, Vendor and Purchaser, including without limitation any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (uu) **"this Agreement", "herein", "hereto", "hereof"** and similar expressions mean and refer to this Agreement;
- (vv) **"Title Documents"** means, collectively, any and all certificates of title, leases, reservations, permits, licences, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to (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 which are produced, and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands; including, without limitation, those, if any, set out and described in Schedule "A", but specifically excluding any of the Excluded Contracts;
- (ww) **"Transaction"** means the transaction for the purchase and sale of the Assets as contemplated by this Agreement;
- (xx) **"Wells"** means Vendor's entire interest in and to any wells whatsoever, including without limitation all producing, shut-in, suspended, abandoned, capped, injection and disposal wells.

1.2 Headings

The expressions "Article", "section", "subsection", "clause", "subclause", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, clause, subclause, paragraph and schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following schedules pertaining to the following matters:

Schedule "A"	-	Lands and Petroleum and Natural Gas Rights
Schedule "B"	-	Facilities
Schedule "C"	-	Rights of First Refusal
Schedule "D"	-	General Conveyance
Schedule "E"	-	Form of Officer's Certificate
Schedule "F"	-	Form of Court Order
Schedule "G"	-	Excluded Contracts
Schedule "H"	-	Assumed Corporate Contracts
Schedule "I"	-	Included Seismic

Such schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All losses, costs, claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement include, without limitation, reasonable legal fees and disbursements on a solicitor and client basis.

1.7 Derivatives

Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.

1.8 Interpretation if Closing Does Not Occur

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

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

**ARTICLE 2
PURCHASE AND SALE AND CLOSING**

2.1 Purchase and Sale

Vendor, exercising the powers of sale granted pursuant to the Appointment Order, hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all of the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms of this Agreement.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Vendor's interest in and to the Assets shall be [REDACTED] (the "Purchase Price") plus applicable GST and/or Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, and shall be satisfied by Purchaser in cash paid to Vendor at Closing.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights	80%
Tangibles	20% less \$10.00
Miscellaneous Interests	\$10.00

2.4 Assumption of Abandonment and Reclamation Obligations

In determining the Purchase Price, the Parties have taken into account Purchaser's assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations associated with the Assets, as set forth in this Agreement, and the absolute release of Twin Butte and Vendor of all and any responsibility or liability therefor.

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk and beneficial ownership of Vendor's interest in and to the Assets shall pass from Vendor to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
- (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) the tax elections as contemplated by this Agreement, duly executed by Vendor;
 - (v) a certified filed copy of the Court Order; and
 - (vi) such other items as may be specifically required hereunder.

- (b) On the Closing Date, Purchaser shall deliver to Vendor:
- (i) the General Conveyance In the form attached as Schedule "D", duly executed by Purchaser;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iii) the Purchase Price, as adjusted herein, less the Deposit, plus applicable GST and/or Sales Taxes;
 - (iv) the tax elections as contemplated by this Agreement, duly executed by Purchaser; and
 - (v) such other items as may be specifically required hereunder.

2.6 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. At a reasonable time prior to Closing, Vendor shall use reasonable efforts to prepare and provide for Purchaser's review all Specific Conveyances at Vendor's own cost and expense, provided that Purchaser shall be responsible for any and all disbursements or fees payable to any Governmental Authority in connection therewith. The Parties shall execute such Specific Conveyances at Closing. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall register and/or distribute (as applicable) all such Specific Conveyances and shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Title Documents, Included Seismic and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser such original copies of the Title Documents, the Included Seismic, and any other agreements and documents to which the Assets are subject and such original copies of contracts, agreements, records, books, documents, licenses, reports and data comprising Miscellaneous Interests which are now in the possession of Vendor or of which Vendor gains possession of prior to Closing.

2.8 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by certified cheque, bank draft or wire transfer.

2.9 Deposit

The Parties acknowledge that a deposit in the amount of [REDACTED] which is approximately equivalent to [REDACTED] as of the date hereof, representing approximately ten percent (10%) of the Purchase Price, has been provided by Purchaser to Receiver concurrent with the execution of this Agreement, to be held in trust in an interest-bearing trust account and released only in accordance with the provisions of this section 2.9 (the "Deposit"), which shall include any additional deposit payments provided for hereunder and all interest thereon.

The Deposit shall be held in trust by Receiver until one of the following events occur:

- (a) if Closing occurs, the Deposit shall be paid to Purchaser for the account of Purchaser absolutely;

- (b) If Closing does not occur due to a material breach of this Agreement by Purchaser or by failure of Purchaser to fulfill the conditions, for any reason whatsoever, set forth in subsections 3.4(a), 3.4(b), 3.4(c), 3.4(d) or 3.4(e) the Deposit shall be forfeited to Vendor for the account of Vendor absolutely; and
- (c) If Closing does not occur due to any reason other than as addressed by section 2.9(b), the Deposit shall be paid to Purchaser for the account of Purchaser absolutely.

2.10 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring and that Vendor's retention thereof shall constitute liquidated damages to, and be the sole remedy of, Vendor as a result of Closing not occurring.

2.11 Taxes

(a) Joint Election

The Parties agree to make a joint successor election under section 66.7 of the *Income Tax Act* (Canada) in respect of all of the cumulative resource tax accounts of Twin Butte to the extent permitted thereunder. Purchaser, acting reasonably, shall prepare, and each Party agrees to execute and file, such elections in the form and within the time periods prescribed or specified under such Act so as to transfer such cumulative resources tax pools from Twin Butte to Purchaser to the maximum extent permitted under such Act.

(b) GST

Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Purchaser is in the process of becoming a registrant for GST purposes and when registered will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. The GST registration number of Vendor is 88525 7741 RT0002. Purchaser shall provide notice to Vendor of its GST registration number promptly upon receipt thereof. If available under Applicable Law, Parties agree to make an election under subsection 167(1) of the GST Legislation in respect of the GST payable as a result of the transaction contemplated herein. Purchaser, acting reasonably, shall prepare, and each Party agrees to execute and file, such elections in the form and within the time periods prescribed or specified under Applicable Law. Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof.

(c) Sales Taxes Generally

The Parties acknowledge that the Purchase Price is exclusive of all Sales Taxes. Purchaser shall be solely responsible for all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of receipts showing payment of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof.

(d) Additional Elections

The Parties agree to make such other elections (including, without limitation, with respect to GST or Sales Tax) as prudent and available to minimize taxes payable as a result of the transaction contemplated herein. Purchaser, acting reasonably, shall prepare, and each Party agrees to execute and file, such elections in the form and within the time periods prescribed or specified under Applicable Law.

**ARTICLE 3
CONDITIONS OF CLOSING**

3.1 Required Consents

Both before and after Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law and any and all material consents of Third Parties required to permit the Transaction. The Parties acknowledge that, with the exception of the Regulatory Approvals, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Vendor's interest in and to the Assets, and of Vendor to sell its interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) Vendor obtaining the Court Order; and
- (b) there shall not have been instituted any legal proceedings to obtain, and no court or Governmental Authority of competent jurisdiction shall have issued, promulgated, enforced or entered any judgment, decree, injunction or other order, whether temporary, preliminary or permanent, that restrains, enjoins or otherwise prohibits consummation of the Transaction.

Unless otherwise agreed to by the Parties, if the conditions contained in this section 3.2 have not been performed or satisfied on or before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Vendor's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser in whole or in part:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and as of the Closing Date;
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects; and
- (c) the Regulatory Approvals shall have been obtained.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may terminate this Agreement by written

notice to Vendor. If Purchaser terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in sections 2.9 and 13.13.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor in whole or in part:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) all amounts to be paid by Purchaser to Vendor at Closing, including, without limitation, the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement;
- (d) Purchaser shall have obtained the PRC Regulatory Approvals;
- (e) Purchaser shall have taken all steps as are necessary for Purchaser to be able to, and to be eligible under Applicable Law to, receive and be specifically conveyed the Assets including becoming registered as a licensed operator with each of the AER, BCOGC and ECON; and
- (f) the Competition Act Approval shall have been obtained;

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may terminate this Agreement by written notice to Purchaser. If Vendor terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in sections 2.9 and 13.13.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor and Receiver

Vendor makes only the following representations to Purchaser, no claim in respect of which shall be made or be enforceable by Purchaser unless written notice of such claim, with reasonable particulars, is given by Purchaser to Vendor within a period of six (6) months following the Closing Date:

- (a) Receiver has been appointed by the Court as receiver and manager of Twin Butte and such appointment is valid and subsisting;
- (b) subject to obtaining the Court Order, Vendor has the right to enter into this Agreement and, subject to obtaining the Competition Act Approval, to complete the Transaction; and
- (c) Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor, no claim in respect of which shall be made or be enforceable by Vendor unless written notice of such claim, with reasonable particulars, is given by Vendor to Purchaser within a period of six (6) months following the Closing Date:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) except for obtaining the Court Order, the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or license applicable to Purchaser, subject to obtaining the Regulatory Approvals;
- (e) provided the Court Order is obtained, this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) except for the Regulatory Approvals, no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirement therefor previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay: (i) all amounts required to be paid by Purchaser under this Agreement when due; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction when due;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (j) Purchaser is a WTO investor for the purposes of the *Investment Canada Act* (Canada).

4.3 Limitation of Representations by Vendor

- (a) Subject to section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Vendor's interest in and to the Assets shall be purchased on a strictly "as is, where is"

basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:

- (I) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (II) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (III) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles);
 - (vi) the accuracy or completeness of the Data Room Information or any other data or information supplied by Vendor or any of its Representatives in connection with the Assets;
 - (vii) the suitability of the Assets for any purpose;
 - (viii) compliance with Applicable Laws; or
 - (ix) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Vendor's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Except with respect to the representations and warranties in section 4.1 or in the event of fraud, Purchaser forever releases and discharges Vendor and its Representatives from any claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including, without limitation, any evaluations, projections, reports and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Vendor's Indemnities for Representations and Warranties

Vendor shall be liable to Purchaser for and shall, in addition, indemnify Purchaser from and against, all losses suffered, sustained, paid or incurred by Purchaser which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in section 4.1 been accurate and truthful; provided, that nothing in this section 5.1 shall be construed so as to cause Vendor

to be liable to or indemnify Purchaser in connection with any representation or warranty contained in section 4.1 if and to the extent that Purchaser did not rely upon such representation or warranty.

5.2 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in section 4.2 been accurate and truthful; provided, that nothing in this section 5.2 shall be construed so as to cause Purchaser to be liable to or indemnify Vendor in connection with any representation or warranty contained in section 4.2 if and to the extent that Vendor did not rely upon such representation or warranty.

5.3 Survival of Representations and Warranties

Each Party acknowledges that the other may rely on the representations and warranties made by such Party pursuant to section 4.1 or 4.2, as the case may be. The representations and warranties in sections 4.1 and 4.2 shall be true as of the date hereof and on the Closing Date, and such representations and warranties shall continue in full force and effect and shall survive the Closing Date for a period of six (6) months, for the benefit of the Party to which such representations and warranties were made. In the absence of fraud, however, no claim or action shall be commenced with respect to a breach of any such representation and warranty, unless, within such period, written notice specifying such breach in reasonable detail has been provided to the Party which made such representation or warranty.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the environmental condition of the Assets is concerned, it will acquire the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the environmental condition of the Assets, Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and

- (b) Indemnify, release and save harmless Vendor from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations as between Vendor and Purchaser (including, without limitation, whether occurring or accruing prior to, on or after the Closing Date), and hereby releases Vendor from any claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (including, without limitation, whether occurring or accruing prior to, on or after the Closing Date) in respect of all Wells and Facilities.

6.3 Third Party Claims

The following procedures shall be applicable to any claim by a Party (the "Indemnitee") for indemnification pursuant to this Agreement from another Party (the "Indemnitor") in respect of any Losses in relation to a Third Party (a "Third Party Claim"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within ten (10) Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the Indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such ten (10) Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to do either or both of the following:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;
- (c) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (d) the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated claims as reasonably requested by it; and

- (f) If the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 ADJUSTMENTS

7.1 Costs and Revenues to be Apportioned

- (a) Subject to paragraph 7.1(b) below and except as otherwise provided in this Agreement, all costs and expenses relating to the Assets (including, without limitation, maintenance, development, capital and operating costs) and all revenues relating to the Assets (including, without limitation, proceeds from the sale of production and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties) shall be apportioned as of the Effective Date between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles, provided that:
 - (i) advances made by Vendor in respect of the costs of operations on Lands or lands pooled or unitized therewith or facilities interests included in the Assets which have not been applied to the payment of costs prior to the Closing Date and stand to the credit of Twin Butte or Vendor will be transferred to Purchaser and an adjustment will be made in favour of Vendor equal to the amount of the advance transferred;
 - (ii) deposits made by Twin Butte or Vendor relative to operations on the Lands shall be returned to Vendor;
 - (iii) costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Article when the work is done or the goods or services are provided, regardless of when such costs and expenses become payable;
 - (iv) no adjustments shall be made in respect of Twin Butte's or Vendor's income taxes;
 - (v) revenues from the sale of Petroleum Substances will be deemed to accrue when the Petroleum Substances are produced;
 - (vi) all rentals and similar payments in respect of the Leased Substances or surface rights comprised in the Assets and all taxes (other than income taxes) levied with respect to the Assets or operations in respect thereof shall be apportioned between Vendor and Purchaser on a per diem basis as of the Closing Date; and
 - (vii) any and all unpaid rentals and royalties which accrue to the Assets and are not a corporate debt (including without limitation, unpaid surface lease rentals, mineral lease rentals, Crown royalties and municipal taxes for surface sites) which are identified by Purchaser prior to the preparation of the Final Statement of Adjustments shall be credited to Purchaser.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability which relates to the period which arose prior to the Date of Appointment and which will not constitute a liability to Purchaser.

- (c) Petroleum Substances which were produced, but not sold, as of the Closing Date shall be retained by Vendor and Vendor shall be responsible for all royalties or other encumbrances thereon and all processing, treating and transportation expenses pertaining thereto. Petroleum Substances will be deemed to be sold on a first in, first out basis.

7.2 Adjustments to Account

- (a) An Interim accounting of the adjustments pursuant to section 7.1 shall be made at Closing, based on Vendor's and Purchaser's good faith estimate of the costs and expenses paid by Vendor prior to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such Interim accounting and Vendor shall provide a statement setting forth the adjustments to be made at Closing not later than three (3) Business Days prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement. A final accounting of the adjustments pursuant to section 7.1 shall be conducted within thirty (30) days following the Closing Date (the "Final Statement of Adjustments"), and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within fifteen (15) Business Days of being notified of the determination of the amount owing.
- (b) All adjustments provided for in this Article shall be adjustments to the Purchase Price. An adjustment payable by a Party after Closing pursuant to this section 7.2 which is not paid within fifteen (15) Business Days of a written request for payment from the other Party, shall bear Interest at the Prime Rate plus three percent (3%) per annum payable by the paying Party to the other Party from the end of such fifteen (15) Business Day period until the adjustment is paid.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall, to the extent that the nature of its interest permits, and subject to the Title Documents and any other agreements and documents to which the Assets are subject:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date.

8.2 Consent of Purchaser

Notwithstanding section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld by Purchaser and which, if provided, shall be provided in a timely manner:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$25,000.00, except in case of an emergency or in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;

- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) amend or terminate any Title Document or enter into any new agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "Proposal"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than twenty four (24) hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including, its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election, and such termination shall not constitute a failure of Vendor's representations and warranties pertaining to such Assets, notwithstanding section 5.3.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall not be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Vendor shall, in a timely manner, deliver to Purchaser all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences

affecting the Assets, and Vendor shall respond to such notices pursuant to Purchaser's written instructions, if received on a timely basis, provided that Vendor may refuse to follow any instructions which it reasonably believes to be unlawful, unethical or in conflict with any applicable agreement or contract, and provided that nothing shall preclude Vendor from taking such actions as Vendor reasonably determines are necessary for the protection of life or property, or as are required by all Applicable Laws, rules, regulations, orders and directions of Governmental Authorities and other competent authorities; and

- (d) Vendor shall, in a timely manner, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets, provided that Vendor may (but shall not be obligated to) refuse to follow instructions which it reasonably believes to be unlawful, unethical or in conflict with any applicable agreement or contract.

8.5 Licence Transfers

- (a) To the extent applicable, within two (2) Business Days following Closing, Vendor shall prepare and, where applicable, electronically submit, an application to the applicable Governmental Authorities for Licence Transfers and Purchaser or its nominee shall, where applicable, electronically ratify and sign such application.
- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Vendor shall, within two (2) Business Days of such denial, correct the application and amend and re-submit the application for the Licence Transfer and Purchaser or its nominee shall, where applicable, electronically ratify and sign such application.
- (c) If, for any reason, a Governmental Authority requires a Party or its nominee to:
 - (i) make a deposit or furnish any other form of security; or
 - (ii) undertake any corrective action or remedial work including, without limitation, inspections, tests or engineering assessments,

to approve a Licence Transfer, Purchaser shall make such deposit, furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense, provided that if the requirement to make such deposit or furnish such other form of security arises as a result of Alberta Energy Regulator (the "AER") Bulletin 2016-21, the Purchaser may, at its election, make such application to the AER requesting that such Licence Transfer be considered pursuant to AER Directive 006. For greater clarity, the making of any such application does not diminish the Purchaser's obligation to make a deposit or furnish any other form of security as may be required hereunder.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.

- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8, insofar as such Losses are not a direct result of the gross negligence or wilful misconduct of Vendor or its Representatives. An action or omission of Vendor or of its Representatives shall not be regarded as gross negligence or wilful misconduct to the extent to which it was done or omitted from being done in accordance with Purchaser's instructions (including any election deemed pursuant to section 8.3(b)) or concurrence.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor may not be able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Vendor covenants with Purchaser that Vendor shall reasonably cooperate with Purchaser to obtain appropriate consents and approvals for the assignment and transfer to Purchaser of operatorship of those of the Assets of which Vendor is currently the operator.

ARTICLE 9 RIGHTS OF FIRST REFUSAL

9.1 Rights of First Refusal

- (a) Within ten (10) Business Days from the date hereof, Purchaser, acting reasonably and in good faith, shall provide Vendor with: (i) its allocated values for the Assets which are subject to Rights of First Refusal as identified in Schedule "C"; and (ii) the [REDACTED]. Promptly after such allocations are provided to Vendor, it shall: (i) send notices to the Persons (including Purchaser, if applicable) holding such Rights of First Refusal in accordance with the terms of the Title Documents creating them, using such values provided by Purchaser; and (ii) send the [REDACTED]. Purchaser shall be liable for and indemnify and save Vendor harmless from and against all Losses which Vendor may suffer, sustain, pay or incur as a result of utilizing any value allocations supplied by Purchaser, including that contained in the [REDACTED].
- (b) If any Third Party elects to exercise any Rights of First Refusal, the portion of the Assets subject to such Rights of First Refusal (the "Affected Asset") shall not be sold pursuant hereto, and the definitions of "Assets", "Lands", "Leases", "Miscellaneous Interests", "Petroleum and Natural Gas Rights", "Facilities", "Tangibles" and "Wells" shall not include the Affected Asset. The Purchase Price and any applicable GST and/or Sales Taxes shall be reduced accordingly.
- (c) If the [REDACTED] is accepted, Purchaser shall pay the amount offered in the [REDACTED] separate and apart from the Purchase Price and payment of same shall not amount to any adjustment in the Purchase Price. Should the [REDACTED] be accepted, negotiation and completion of the transaction contemplated in the [REDACTED] shall be concluded between Purchaser and [REDACTED] directly.

ARTICLE 10 COMPETITION ACT APPROVAL

10.1 Competition Act Approval

- (a) As soon as practicable, and in any event no later than ten (10) Business Days from the date of this Agreement, Purchaser shall file with the Commissioner a submission in support of a request for an advance ruling certificate under section 102 of the Competition Act or, in the event that the Commissioner will not issue an advance ruling certificate, a waiver of the obligation to notify and supply information under Part IX of the Competition Act pursuant to subsection 113(c) of the Competition Act and confirmation

that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act. Purchaser shall pay the applicable filing fee in respect of the Competition Act Approval. Purchaser and Vendor will co-operate with each other and use their commercially reasonable efforts to take such action as may be required, to secure the Competition Act Approval.

- (b) Purchaser and Vendor will co-operate with each other and use their commercially reasonable efforts to take such action as may be required, to secure the Competition Act Approval.
- (c) Each Party will:
 - (i) keep the other Party promptly informed of the status of discussions relating to obtaining the Competition Act Approval and promptly inform the other Party of any communication received by that Party from the Commissioner or representatives of the Competition Bureau in connection with obtaining the Competition Act Approval;
 - (ii) use commercially reasonable efforts to respond promptly to any request or notice from any Government Authority requiring the Parties, or any one of them, to supply additional information in respect of obtaining the Competition Act Approval;
 - (iii) permit the other Party to review in advance any proposed applications, notices, filings, submissions, correspondence and communications of any nature (including responses to requests for information and inquiries from any Government Authority) in respect of obtaining the Competition Act Approval, and will provide the other Party a reasonable opportunity to comment thereon and will consider those comments in good faith;
 - (iv) promptly provide the other Party with any applications, notices, filings, submissions, correspondence and communications of any nature (including responses to requests for information and inquiries from any Government Authority) that were submitted to a Government Authority in respect of obtaining the Competition Act Approval; and
 - (v) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the Commissioner or any of his representatives in respect of obtaining or concluding the Competition Act Approval unless it consults with the other Party in advance and gives the other Party the opportunity to attend and participate thereat unless the Commissioner or his representative requests otherwise.
- (d) Notwithstanding any requirement in this Section 10.1 in connection with obtaining the Competition Act Approval, submissions, filings or other written communications with any Government Authority containing information which a Party, acting reasonably, considers to be confidential or sensitive may be redacted as necessary before sharing with the other Party, provided that the disclosing Party must provide external legal counsel to the other Party non-redacted versions of drafts and final submissions, filings or other written communications with any Government Authority on the basis that the redacted information will not be shared with its client.

**ARTICLE 11
EMPLOYEE AND CONTRACTOR MATTERS**

11.1 Employee Matters

- (a) Concurrently herewith, Vendor has delivered to Purchaser a complete list containing the names, positions, service length and current compensation of all employees of Vendor ("Vendor Employees") for the purposes of Vendor determining whether it may wish to make offers of employment to Vendor Employees.
- (b) Once Vendor has disclosed the Transaction and the Identity of Purchaser to Vendor Employees, Purchaser may, in its sole and unfettered discretion and in as many separate instances as it may require, notify Vendor that Purchaser wishes to:
 - (i) receive additional information with respect to any Vendor Employee; or
 - (ii) interview any Vendor Employee.
- (c) Upon receipt of a request for additional information pursuant to Section 11.1(b)(i), Vendor will deliver to Purchaser, within five (5) Business Days of such request, a copy of the following in respect of such requested Vendor Employee (the "Employee Disclosure Letter"):
 - (i) copies of all performance reviews;
 - (ii) copies of all documents relating to discipline imposed on the employee;
 - (iii) copies of the hiring letter and/or employment agreement applicable to the employee; and
 - (iv) copies of all documentation relating to changes to the employee's position and compensation.
- (d) Upon receipt of a request for interviews pursuant to Section 11.1(b)(ii), Vendor will use all reasonable efforts to facilitate such interviews as soon as possible and in any event within ten (10) days of receipt of such notification.
- (e) Purchaser may offer continued employment to such Vendor Employees and on such terms as it may determine in its absolute and sole discretion.
- (f) Notwithstanding any other provision of this Agreement, Purchaser has no obligation to offer employment to any Vendor Employee.
- (g) Under no circumstances will Purchaser have any liability or obligation to Vendor in respect of any liabilities or obligations that it has or may have to any Vendor Employees, whether or not such Vendor Employees are offered employment by Purchaser pursuant to this Agreement or otherwise.
- (h) Purchaser acknowledges and agrees that the information received pursuant to 11.1(a) and 11.1(c) is confidential information and,
 - (i) shall hold and use such information in compliance with all Applicable Laws and without limiting the generality of the foregoing, all Applicable Laws relating to privacy which govern the collection, use or disclosure of such information; and

- (ii) shall not use or disclose such Information for any purpose other than that contemplated in this Article ARTICLE 11.

ARTICLE 12 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

12.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Vendor's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access) for the purpose of Purchaser's review of the Assets and title thereto.

12.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licenses, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including, but not limited to, for purposes relating to:

- (a) Twin Butte's or Vendor's ownership of the Assets (including taxation matters and liabilities and claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any claim commenced or threatened by any Third Party against Twin Butte or Vendor.

12.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two (2) years from the Closing Date.

12.4 Financial Information

For the period commencing on the execution and delivery hereof and ending the earlier of: (i) six (6) months after the Closing Date; or (ii) the date which Receiver ceases to be the receiver of Twin Butte; Vendor shall:

- (a) use commercially reasonable efforts to make available to Purchaser or its auditors, counsel or engineers all financial, operating and other information for the Assets that is in Vendor's possession or control and is available and as may be reasonably required by Purchaser in order for Purchaser to comply with Applicable Laws in respect of any prospectus, business acquisition report, press release or other disclosure document filed or to be filed in connection with the Transaction, the form and content of which are subject to or prescribed by Applicable Laws (collectively, the "Disclosure Documents");

- (b) permit Purchaser to file any Disclosure Documents required under Applicable Laws in connection with the Transaction, including with Canadian securities regulatory authorities under the System for Electronic Document Analysis and Retrieval (SEDAR) and foreign securities regulatory authorities, subject to Vendor's reasonable requests for redaction; and
- (c) provide reasonable access during normal business hours at Purchaser's sole cost and expense to personnel of Vendor, its related persons or their auditors, counsel or engineers who are responsible for such financial, operating and reserves evaluation information.

12.5 Posts Incurred for Financial Information

- (a) Purchaser shall be solely responsible for and shall pay and, in addition and as an independent covenant, shall defend, indemnify and save harmless Vendor and each of Vendor's related persons from and against, all Third Party costs incurred by Vendor in connection with Vendor's compliance with its obligations under Section 12.4.

ARTICLE 13 GENERAL

13.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

13.2 No Merger

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of Vendor in and to the Assets to Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

13.3 Receiver

Purchaser acknowledges that Receiver is acting solely in its capacity as the Court-appointed receiver and manager of Twin Butte, and not in its personal or corporate capacity. Under no circumstances shall Receiver or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction, in its or their personal or corporate capacity, whether such liability be in contract, tort or otherwise.

13.4 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements (other than the Confidentiality Agreement dated October 17, 2016 between Vendor and a related party of the Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

13.5 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

13.6 Signs and Notifications

Within sixty (60) days following Closing, Purchaser shall remove any signage which indicates Twin Butte's ownership or operation of the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

13.7 Assignment and Enurement

This Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

13.8 Time of Essence

Time shall be of the essence in this Agreement.

13.9 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor - **FTI Consulting Canada Inc.**
Suite 720, 440 – 2nd Avenue SW
Calgary, AB T2P 5E9

Attention: Derek Heikaa
Fax: 1-403-232-6116
Email: twin.butte@fticonsulting.com

With a copy to:

Norton Rose Fulbright Canada LLP
Suite 3700, 400 3rd Avenue SW
Calgary, AB T2P 4H2

Attention: Howard Gorman, Q.C.
Fax: 1-403-264-5973
Email: howard.gorman@nortonrosefulbright.com

Purchaser - **HENENGHAIXIN OPERATING CORP.**
c/o McCarthy Tétrault LLP
Suite 4000, 421 – 7th Avenue S.W.
Calgary, AB T2R 4K9

Attention: Chief Executive Officer
Fax: 1-403-260-3501
Email: henenghaixin@gmail.com

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth (4th) Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

13.10 Invalidity of Provisions

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

13.11 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

13.12 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

13.13 Confidentiality and Public Announcements

Until three (3) months after Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets, this Agreement, or the Transaction and shall not release any information concerning the Assets, this Agreement or the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information (i) to any Governmental Authority or regulatory authority or to the public if required by Applicable Law; or (ii) in connection with obtaining the Court Order or any other court order which Vendor may require in performing its role as Receiver; or (iii) as required to Twin Butte's creditors, provided such creditors agree to treat such information as being confidential in nature and in a manner similar to that provided herein.

[Remainder of page intentionally left blank. Signature pages to follow.]

13.14 Counterpart Execution

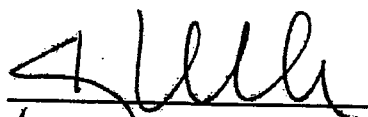
This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

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

FTI CONSULTING CANADA INC., solely in its capacity as the receiver and manager of **TWIN BUTTE ENERGY LTD.**, and not in its personal or corporate capacity

HENENGHAIXIN OPERATING CORP.

Per:
Name:
Title:



Per:
Name:
Title:

Per:
Name:
Title:

13.14 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.


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

FTI CONSULTING CANADA INC., solely in its capacity as the receiver and manager of **TWIN BUTTE ENERGY LTD.**, and not in its personal or corporate capacity

HENENGHAIXIN OPERATING CORP.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Per: 
Name: _____
Title: _____

Appendix B

Letter from Ad Hoc Group to Receiver

Alexis Teasdale
Direct Line: 403.298.3067
e-mail: teasdalea@bennettjones.com
Our File No.: 76739.1

December 15, 2016

Via Email

Mr. Howard A. Gorman, Q.C.
Norton Rose Fulbright LLP
Suite 3700, 400 3rd Ave SW
Calgary AB T2P 4H2

Dear Mr. Gorman:

Re: Twin Butte Energy Ltd. in Receivership ("Twin Butte")

As you are aware, we represent an ad hoc committee (the "**Ad Hoc Group**") of unaffiliated senior debentureholders with very significant holdings of Twin Butte's 6.25% Convertible Unsecured Subordinated Debentures.

We write to request that the Receiver extend the Phase II Bid or Restructuring Proposal deadline set forth in the SISP to at least the end of January, 2017, and reopen the process to Phase I bidders.

In the Ad Hoc Group's view, this course of action is incumbent upon the Receiver in light of certain recent positive developments in the energy sector, which the Ad Hoc Group strongly believes will be accretive to the value of bids received in the SISP, provided that bidders and the market generally are given sufficient time to digest this new environment.

These developments include the announcement by OPEC on November 30, 2016 that it will remove 1.2m barrels a day from global oil production and the agreement by non-OPEC nations to cut 588,000 barrels a day; the federal government's approval of the Kinder Morgan Trans Mountain pipeline expansion and Enbridge's Line 3 replacement pipeline and the increased potential that the new US administration will re-consider and approve the Keystone XL pipeline; and the recent public statements by the Saudi oil minister that, effective January 1, Saudi Arabia will cut substantially below the level promised by OPEC on November 30, 2016 to stabilize the oil market.

This evolving environment has already resulted in significant pricing changes, which in turn are having a positive impact on the valuation of oil and gas assets. As an example, since the Phase I Bid deadline on November 17, 2016, front month WTI oil benchmark is up US\$5.42/bbl or 11.8%. Relative to Twin Butte's Q2 field netback of C\$12.76/bbl disclosed in the Information Memorandum available on the Peters & Co. website, this represents a 57% increase in pricing (assuming a 0.75 CAD/USD exchange rate) which would have a direct impact on valuation. In addition, the positive change in pricing is already being reflected in 2017 amended drilling plans submitted by public companies. The

December 15, 2016

Page 2

Ad Hoc Group is in the process of gathering further data to illustrate these positive market impacts and will provide the same to the Receiver in due course.

We are aware of at least one bid that requires additional time to adjust to the evolution of the global oil markets and are certain that there are others who are in the same circumstance. Even without having had an opportunity to digest these changes, we are confident that in the new pricing environment there certainly will be many bids that will return value to our stakeholders.

Given that we are on the eve of the Christmas holidays, there is no downside, in our view, to reopening the process and extending the Phase II Bid deadline to at least the end of January, 2017. Furthermore, it is of paramount importance, not only to the Ad Hoc Group, but to all of Twin Butte's stakeholders, that the process be opened up and extended to allow for enhanced bids to be generated and received.

We look forward to hearing from the Receiver as soon as possible regarding its willingness to extend the Phase II Bid or Restructuring Proposal deadline set forth in the SISP and reopen the process to Phase I bidders.

Yours truly,



Alexis Teasdale

AT

Appendix C

Letter from Receiver to Ad Hoc Group

December 20, 2016

With Prejudice

Via Email

Alexis Teasdale
Bennett Jones LLP
4500 Bankers Hall East, 855 - 2nd Street SW
Calgary, Alberta, Canada T2P 4K7

NORTON ROSE FULBRIGHT

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2 CANADA

F: +1 403.264.5973
nortonrosefulbright.com

Howard A. Gorman, Q.C.
+1 403.267.8144
howard.gorman@nortonrosefulbright.com

Assistant
+1 403.267.8194
roberta.savard@nortonrosefulbright.com

Your reference
76739.1

Our reference
01020497-0005

Dear Ms. Teasdale:

Twin Butte Energy Ltd. ("Twin Butte"), in Receivership

Thank you for your letter dated December 15, 2016 (**December 15 Letter**). Capitalized terms not defined herein have as their meaning those given to them in the December 15 Letter.

By way of reply the Receiver can advise that:

1. As you know, the Court-approved Sale and Investment Solicitation Process (**SISP**) set the deadline for Phase II Bid or Restructuring Proposals as December 15, 2016. This included a brief delay occasioned as a result of certain inquiries from your offices and your client. The Receiver has considered the Ad Hoc Group's request to extend that deadline and has determined that it is not in the best interests of Twin Butte's stakeholders to do so. In particular, the Receiver has concluded that extending the deadline as requested by the Ad Hoc Group would compromise or undermine the Court-directed SISP. Parties that have made good faith bids in compliance with the terms of the SISP would be arbitrarily prejudiced by your client's request. The certainty and clarity required of the SISP and of the Receiver's conduct of these proceedings would be compromised if an extension was provided in the circumstances.

Further, the Ad Hoc Group was consulted on the terms of the SISP before Court-approval of same was sought. The time has long passed for your client to contest those terms, particularly when such complaint arrives the day on which bids were due.

2. Your December 15 Letter was co-incident with the SISP deadline. You will receive further details in due course, but we can confirm that there was a fulsome and competitive bid process. Neither the Receiver nor the Sales Agent support a further extension or rebidding process.
3. The December 15 Letter refers to various announcements and projections concerning the global oil markets. While these are welcome developments, they do not sway the Receiver's judgment that extending the SISP timelines is inconsistent with the best interests of Twin Butte's stakeholders and would compromise the process. The price of oil is notoriously difficult to predict along the forward curve. Oil markets remain in flux despite public announcements from OPEC and Saudi Arabia, and Canadian

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Alexis Teasdale
December 20, 2016



regulatory approvals of pipelines that will not be built for years to come. To your point, the price of oil is perpetually "evolving". Bidders at December 15, 2016 would have, no doubt, considered the trends.

The Receiver is not in a position to gamble about the direction of that price evolution; its task is to maximize recovery for Twin Butte's creditors and the multiple competitive bids that it received by the SISP deadline achieves just that result. In this regard, the Receiver can advise that it intends to seek Court approval of one of those bids in January, 2017.

4. If the Ad Hoc Group is bullish about the price of oil, the Receiver suggests that they should have submitted a bid in compliance with the SISP and with a purchase price reflective of your client's bullish view. Instead, your offices wrote a letter speculating about oil markets on the day the bid was due.

While the Receiver and Sales Agent have carefully considered your client's concerns and hope to work collaboratively with the Ad Hoc Group in the context of the Twin Butte receivership, the Receiver respectfully declines to extend the SISP timelines.

The Receiver reserves the right to submit this correspondence to the Court should the need arise.

Should you have any questions or concerns please do not hesitate to contact the writer.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Howard A. Gorman', with a stylized, wavy flourish at the end.

Howard A. Gorman, Q.C.
Senior Partner

Copies to: Aditya M. Badami, Norton Rose Fulbright Canada LLP, Via Email
Deryck Helkaa / Dustin Oliver / Jamie Engen, FTI Consulting Canada Inc., Via Email