

CLERK OF THE COURT
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AUG 16 2016
CALGARY, ALBERTA

COURT FILE NUMBER 1501-09424
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENTS WALDRON ENERGY CORPORATION
DOCUMENT **SECOND REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF WALDRON ENERGY CORPORATION**

August 16, 2016

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

RECEIVER
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COUNSEL
Blake, Cassels & Graydon LLP
3500, 855 – 2nd Street S.W.
Calgary, AB T2P 4J8
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INTRODUCTION

1. On August 17, 2015 (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 Waldron Energy Corporation (“**Waldron**” or the “**Company**”) pursuant to an Order of the Honourable Mr. Justice K.D. Yamauchi (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Company, to market and solicit offers to purchase the Assets (as defined below), and to make such arrangements or agreements as deemed necessary by the Receiver.
3. On April 4, 2016, this Honourable Court granted an Order which, *inter alia*, approved the execution on the Capital Oil APA (as defined below) and authorized and directed the Receiver to take such additional steps to complete the transaction (the “**Sale Approval and Vesting Order**”).
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/waldron> (the “**Receiver’s Website**”).
5. The purpose of this report (“**Second Report**”) is to inform the Court as to the following:
 - (a) the status of various aspects of the Receivership Proceedings;
 - (b) the Receiver’s receipts and disbursements from the Date of Appointment to August 12, 2016; and

- (c) the Receiver's summary and comments with respect to its efforts to solicit offers to purchase the PNG Assets (as defined below).
6. The Receiver is requesting the following relief from this Honourable Court:
- (a) approval of the activities of the Receiver since the date of the Receiver's First Report including its receipts and disbursements;
 - (b) approval for the Escrow Agent to pay the Capital Oil Deposit into Court (both as defined below); and
 - (c) approval of the Bonavista APA (as defined below) and related relief.

TERMS OF REFERENCE

7. In preparing this Second 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 Second 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 First 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 Second 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 Second Report in connection with the Receiver's Application returnable August 24, 2016. This Second Report should not be relied on for other purposes.
11. Information and advice described in this Second Report that has been provided to the Receiver by its legal counsel, Blake, Cassels & Graydon 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.

CURRENT STATUS OF THE RECEIVERSHIP PROCEEDINGS

Background

13. Waldron is a public entity incorporated under the laws of the Province of Alberta and was formally listed on the Toronto Stock Exchange and its shares traded under the ticker symbol "WDN". The Company's principal line of business was the acquisition of, exploration for, and development and production of petroleum and natural gas reserves in Western Canada. The Company's operations include high working interest and operatorship in multi-zone oil and liquids rich natural gas and associated infrastructure in the Sullivan Lake, Ferrybank, Crystal, Newton and Giroux Lake areas of Alberta (collectively, the "**PNG Assets**").

14. The Company also had ownership or joint ownership in five 3D surveys with coverage totaling approximately 114 km² and in six projects with 49 lines of 2D totaling approximately 260 km (the “**Seismic Data**” and together with the PNG Assets collectively, the “**Assets**”).
15. On January 27, 2016, the Receiver entered into an agreement to sell the Seismic Data as outlined in greater detail in the First Report.
16. In order to reduce the general and administrative expenses for the Receivership Proceedings effective June 1, 2016, the Receiver engaged Veracity Energy Services Ltd. (“**Veracity**”) to assist the Receiver with the day to day operation of the Assets.

Office Lease

17. The term of the Company’s office lease expired on September 30, 2015, and the Receiver subsequently extended the lease as required on a month to month basis.
18. In connection with the transition to Veracity, Waldron vacated its leased premises effective May 31, 2016.

Employees

19. By virtue of the transition to Veracity all remaining Waldron employees were terminated.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

20. Receipts and Disbursements from the Date of Appointment to August 12, 2016, are summarized in the Schedule of Receipts and Disbursements below:

Schedule of Receipts and Disbursements	
As of August 12, 2016	
Receipts	
Oil & Gas Revenue	2,860,387
Receiver's Certificate	750,000
Other Receipts	698,366
Proceeds from Sale	50,000
GST Collected	132,851
Total - Receipts	4,491,603
Disbursements	
Operating Expenses	2,327,065
Royalty and Lease Payments	724,341
Employee Costs	623,008
Interest	234,728
Rent and Utilities	179,782
GST Paid	139,329
Legal Fees	44,125
Other Professional Fees	36,010
Insurance	26,945
Other Miscellaneous Expenses	33,667
Receiver's Fees	-
Total - Disbursements	4,368,999
Net Cash on Hand	122,604

21. The amounts set out in the Schedule of Receipts and Disbursements are as follows:

- (a) Oil and Gas Revenue – revenue collected by the Receiver in respect of the sale of petroleum and natural gas;
- (b) Receiver's Certificate – amounts advanced by the National Bank of Canada under the terms of the Receivership Order;

- (c) Other Receipts – receipts from joint venture partners, GST refunds and other miscellaneous collections;
- (d) Proceeds from Sale – proceeds the sale of the Seismic Data;
- (e) GST Collected – amounts collected in relation to Oil and Gas Revenue;
- (f) Operating Expenses – operating expenses relating to the PNG Assets;
- (g) Royalty and Lease Payments – amounts disbursed in respect of Waldron’s petroleum and natural gas leases;
- (h) Employee Costs – amounts disbursed by the Receiver relating to Employee related obligations, benefits and consultants;
- (i) Interest – amounts disbursed in respect of interest on amounts borrowed under the Receiver Certificate, interest on the Company’s credit facility, wire payment fees, overdraft and other miscellaneous charges;
- (j) Rent and Utilities – amounts disbursed relating to occupation rent and utilities;
- (k) GST Paid – amounts paid relating to disbursements subject to GST;
- (l) Legal Fees – Legal fees and disbursements incurred by the Receiver’s Counsel;
- (m) Other Professional Fees – pre-receivership fees and disbursements relating to certain advisory and legal services pursuant to the Company’s credit agreement;
- (n) Insurance – amounts disbursed relating to the Company’s corporate insurance policy;

- (o) Other Miscellaneous Expenses – amounts disbursed including filing fees paid to the Official Receiver, off-site storage; and
 - (p) Receiver’s Fees – fees and disbursements incurred by the Receiver have not been paid to date.
22. As at August 12, 2016, the Receiver holds \$122,604 in cash on hand as summarized in the Schedule of Receipts and Disbursements above.

MARKETING PROCESS AND OFFERS TO PURCHASE

23. The Receiver, in consultation with the major stakeholders, determined that a selling agent should be retained to market the Assets in order to maximize the return for all stakeholders and on September 9, 2015, the Receiver engaged Sayer Energy Advisors (“Sayer”) to act as its agent with respect to the sale of the Assets (the “Marketing Process”).
24. The details of the Marketing Process are outlined in greater detail in the First Report.

Capital Oil APA

25. The Receiver entered into an asset purchase agreement with Capital Oil Ltd. (“Capital Oil”) made effective February 1, 2016 (the “Capital Oil APA”). A copy of the Capital Oil APA was previously provided to this Honourable Court as Confidential Appendix I to the First Report. A summary of the key non-commercial terms of the Capital Oil APA were as follows:
- (a) effective date of February 1, 2016;

- (b) the Capital Oil APA was subject to the approval of, and the granting of a vesting Order by this Honourable Court. The Capital Oil APA had no other closing conditions that had not been satisfied or that would not be satisfied at closing;
 - (c) The Capital Oil APA comprised the acquisition of all the Waldron's PNG Assets;
 - (d) non-refundable deposit of \$110,000 subject only to Court approval;
 - (e) a closing date of the business day following the day Court approval was obtained, or such other business day that may be agreed to; and
 - (f) the adjusted purchase price as set forth in the interim statement of adjustments payable in full at closing.
26. On April 4, 2016, this Honourable Court granted the Sale Approval and Vesting Order which authorized and directed the Receiver to take such additional steps to complete the transaction.
27. In accordance with the terms of the Capital Oil APA the closing date was to be the later of:
- (a) the business day following the day Court approval was obtained; or
 - (b) such other business day as the parties may agree in writing.
- (the "**Closing Date**").

28. The Receiver advised Capital Oil that it was prepared to close the transaction the business day following the day Court approval was obtained. However, Capital Oil advised that it was not prepared to close the transaction and had some remaining inquiries surrounding the interim statement of adjustments.
29. On April 28, 2016, the Receiver's Counsel sent a letter to counsel to Capital Oil advising that the Receiver had been prepared to close the transaction on April 5, 2016, as required under the Capital Oil APA and remained prepared to do so. An alternative Closing Date of May 5, 2016 was proposed by the Receiver's Counsel. A copy of this correspondence is attached as Appendix "A".
30. On May 5, 2016, Capital Oil advised the Receiver via email that it was not prepared to close the transaction at that time and proposed an alternative Closing Date of May 13, 2016.
31. On May 13, 2016, at the request of Capital Oil, the Closing Date was again further delayed to 3:00 p.m. on May 16, 2016.
32. On May 16, 2016, the Receiver provided a letter agreement (the "**Letter Agreement**") via email to counsel to Capital Oil outlining the terms under which the Receiver would be prepared to extend the Closing Date past 3:00 p.m. on May 16, 2016. A copy of the redacted partially executed Letter Agreement is attached as Appendix "B".
33. Capital Oil failed to provide a response to the Receiver's correspondence dated May 16, 2016 or any communication regarding the Closing Date prior to 3:00 p.m. on May 16, 2016. As a result the Receiver's Counsel advised counsel to Capital Oil via email that that the deposit under the Capital Oil APA was forfeit pursuant to and in accordance with sections 3.3(c)(ii) and 3.3(d).

34. On March 18, 2016, the Receiver, the Receiver's Counsel and Capital Oil entered into a deposit escrow agreement (the "**Deposit Escrow Agreement**") whereby Blake, Cassels & Graydon LLP agreed to act as escrow agent (the "**Escrow Agent**") and hold the deposit in connection with the Capital Oil APA (the "**Capital Oil Deposit**"). A redacted executed copy of the Deposit Escrow Agreement is attached as Appendix "C".
35. On May 25, 2016, the Receiver's Counsel provided a copy of the joint direction (the "**Joint Direction**") in relation to the Deposit Escrow Agreement and requested that Capital Oil execute and return the Joint Direction directing the Escrow Agent to release the Capital Oil Deposit pursuant to and in accordance with sections 3.3(c)(ii) and 3.3(d) of the Capital Oil APA. A copy of the redacted partially executed Joint Direction is attached as Appendix "D".
36. As of the date of this Second Report Capital Oil has not yet provided a fully executed copy of the Joint Direction under the Deposit Escrow Agreement to the Escrow Agent.
37. In response to an inquiry made by Capital Oil to Sayer and the Receiver on August 8, 2016 regarding the status of the transaction, the Receiver's Counsel provided further correspondence to counsel to Capital Oil that the Receiver had not waived, amended or extended the requirements of section 3.4 or 5.1(b) and is not prepared to waive, extend or amend those requirements of the Capital Oil APA. The Receiver also explicitly advised that it would not proceed with the closing of the transaction due to the breaches of the Capital Oil APA by Capital Oil. For greater certainty, the Receiver's Counsel also advised that the Capital Oil APA was terminated in accordance with section 14.1(b) thereof. A copy of this correspondence is attached as Appendix "E".

38. On August 15, 2016, Christopher Hynes of Capital Oil e-mailed the Receiver (the "**August Capital Oil E-mail**") seeking to apply the Capital Oil Deposit toward certain property interests of Waldron. On August 16, 2016 the Receiver wrote a letter to Mr. Hynes (the "**Receiver's Response Letter**") advising that the Receiver was of the view that Capital Oil had forfeited the Capital Oil Deposit and the Receiver would be seeking to pay the Capital Oil Deposit into Court pending a further order from the Court. A redacted copy of the August Capital Oil E-Mail and the Receiver's Response Letter is attached as Appendix "F".

Bonavista Offer to Purchase

39. As a result of Capital Oil's inability or unwillingness to close the Capital Oil APA, the Receiver, in consultation with Sayer, contacted various parties that had previously expressed interest in the PNG Assets through the Marketing Process to determine if there was any continued interest in acquiring the Company's PNG Assets.
40. As a result of Sayer efforts to solicit interest following Capital Oil's failure to close the Capital Oil APA, several offers have been received for the PNG Assets.
41. On July 21, 2016, Sayer received an offer to purchase certain of Waldron's interests in its Ferrybank property (the "**Ferrybank Assets**") from Bonavista Energy Corporation ("**Bonavista**"). The Ferrybank Assets comprise only a small portion of the total PNG Assets (a total of 3 of the Company's 204 operated well bores along with certain other non-operated wells, lands, leases, permits and pipelines).

42. The Receiver has entered into an asset purchase agreement (the “**Bonavista APA**”) dated as of August 15, 2016 and an escrow agreement (the “**Escrow Agreement**”) with Bonavista. A redacted copy of the Bonavista APA is attached hereto as Appendix “G”, excluding the schedules. A full non-redacted copy of the Bonavista APA and Escrow Agreement is provided to the Court as Confidential Appendix I, but is not attached to this Second Report due to the confidential and commercially sensitive nature of its contents. A summary of the key non-commercial terms of the Bonavista APA are follows:

- (a) effective date of July 1, 2016;
- (b) subject to the approval of, and the granting of a vesting Order by this Honourable Court;
- (c) non-refundable deposit of \$100,000 subject only to Court approval;
- (d) a closing date of two business day following the day Court approval is obtained, or such other business day as the parties may agree in writing; and
- (e) the adjusted purchase price as set forth in the interim statement of adjustments payable in full at closing into escrow pending regulatory approval and transfer of the required licenses by the Alberta Energy Regulator.

Remaining Assets (excluding the Ferrybank Assets)

43. The Receiver continues to work with Sayer with respect to the sale of Waldron's remaining PNG Assets (the "**Remaining Assets**").
44. On or around August 11, 2016, Sayer received offers to purchase the Remaining Assets (which exclude the Ferrybank Assets) from several interested parties. For greater certainty the Ferrybank Assets and the Remaining Assets comprise all of Waldron's PNG Assets.
45. As of the date of this Second Report, the Receiver continues to work with these prospective purchasers in relation to a transaction to sell the Remaining Assets.

Receiver's Analysis of the Offer to Purchase

46. The Receiver has concluded that the Bonavista APA represents the best realizable value that could reasonably be obtained for the Ferrybank Assets in the present circumstances based on the following:
 - (a) the assets have been adequately exposed to the market through the Marketing Process;
 - (b) the transaction is fair and commercially reasonable in the circumstances; and
 - (c) the National Bank of Canada, the Company's largest secured creditor and the primary significant stakeholder in these Receivership Proceedings, supports the Receiver completing the transaction.
47. The Receiver anticipates it will be seeking approval of the Court with respect to any subsequent transaction or transactions with respect to the Remaining PNG Assets once an asset purchase agreement can be finalized and a successful purchaser is selected.

Alberta Energy Regulator Bulletin 2016-16

48. On June 20, 2016 the Alberta Energy Regulator issued Bulletin 2016-16 (“**AER Bulletin**”) in response to the Court of Queen’s Bench’s decision involving a dispute between the receiver of Redwater Energy Corporation, the Alberta Treasury Branches, the Alberta Energy Regulator (“**AER**”) and the Orphan Well Association.
49. The AER Bulletin set out the following changes to the licensing requirements necessary for the AER to transfer well licenses when a sale of Alberta oil and gas assets are sold (the following is taken directly from the AER Bulletin):
- (a) the AER will consider and process all applications for license eligibility under *Directive 067: Applying for Approval to Hold EUB Licenses* as non-routine and may exercise its discretion to refuse an application or impose terms and conditions on a license eligibility approval if appropriate in the circumstances;
 - (b) for holders of existing but previously unused license eligibility approvals, prior to approval of any application (including license transfer applications), the AER may require evidence that there have been no material changes since approving the license eligibility. This may include evidence that the holder continues to maintain adequate insurance and that the directors, officers, and/or shareholders are substantially the same as when license eligibility was originally granted; and
 - (c) as a condition of transferring existing AER licenses, approvals, and permits, the AER will require all transferees to demonstrate that they have a liability management ratio (LMR) of 2.0 or higher immediately following the transfer.

50. The Receiver has contacted the AER with respect to transferring the licenses to Bonavista as contemplated in the Bonavista APA, which would result in the sale of the Ferrybank Assets. As of the date of this Second Report the Receiver has not received a formal response from the AER, but will continue to work with the AER and Bonavista with respect to transferring the licenses as contemplated by the Bonavista APA.
51. The Receiver is of the opinion that the Bonavista APA represents the greatest benefit to all parties involved in accordance with the AER mandate to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources.

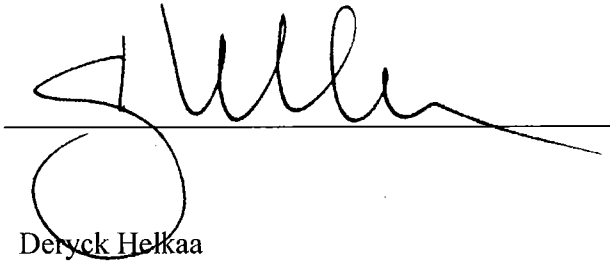
CONCLUSION AND RECOMMENDATIONS

52. The Receiver, through the Marketing Process, has undertaken a broad and extensive process in an effort to solicit offers to purchase the PNG Assets.
53. The Receiver is of the view that the Bonavista APA is commercially reasonable and represents the best offer in the circumstances. The Receiver anticipates making a subsequent application seeking approval of a definitive agreement or agreements relating to the Remaining PNG Assets.
54. Based on the foregoing, the Receiver respectfully requests that this Honourable Court make the following orders:
 - (a) authorizing and directing the Escrow Agent to pay the Capital Oil Deposit into the Court to be held pending a further order;
 - (b) approving the Bonavista APA dated as of August 15, 2016, and authorizing and directing the Receiver to take such additional steps and execute such additional documents as may be necessary or desirable to close the sale contemplated in the Bonavista APA;

- (c) vesting title to the assets in and to the perspective purchasers free and clear of all liens, charges, security interests and other encumbrances, subject only to certain permitted encumbrances;
- (d) providing for the registration of the Orders with Alberta Land Titles Registry, Alberta Energy, and the Alberta Personal Property Registry;
- (e) granting any other related relief; and
- (f) approving the Receiver's actions, conduct and activities since the Date of Appointment, including its receipts and disbursements, as set out in this Second Report.

All of which is respectfully submitted this 16th day of August, 2016.

FTI Consulting Canada Inc.,
in its capacity as receiver and manager
of the assets, undertakings and properties of
Waldron Energy Corporation

A handwritten signature in black ink, appearing to read 'Deryck Helkaa', is written over a horizontal line. The signature is fluid and cursive, with a large loop at the end.

Deryck Helkaa
Senior Managing Director, CIRP



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
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Tel: 403-260-9600 Fax: 403-260-9700

April 28, 2016

VIA COURIER

Ian T. Gordon
Associate

Dir: (403) 260-9603
ian.gordon@blakes.com

Reference: 79294/9

Mr. Peter Yates
Field Law
400 - 604 1 ST SW
Calgary AB T2P 1M7

Attention: Mr. Peter Yates

RE: Asset Purchase Agreement between Waldron Energy Corporation ("**Waldron**"), by and through its court-appointed receiver FTI Consulting Canada Inc. (the "**Receiver**"), in its capacity as court-appointed receiver of Waldon and not in its personal capacity, (the "**Vendor**") and Capital Oil Ltd. (the "**Purchaser**") dated February 1, 2016 (the "**Agreement**").

Dear Mr. Yates:

We are counsel to the Vendor with regard to the transaction contemplated by the Agreement. Capitalized terms used herein have the meanings given to them in the Agreement unless otherwise noted.

Pursuant to section 5.1 of the Agreement, Closing of the Transaction is to take place on the later of the Business Day following the day the Court Approval is obtained or such other Business Day as the Parties may agree in writing (the "**Closing Date**"). The Court Approval was obtained on April 4, 2016, such that the Closing Date was scheduled for April 5, 2016. The Parties have not agreed in writing to an alternate Closing Date. The Vendor was prepared to close the Transaction on April 5, 2016 as required under the Agreement and remains prepared to do so now.

The Vendor has diligently responded to inquiries from the Purchaser regarding the Interim Statement of Adjustments and fulfilled its obligations under section 4.2 of the Agreement to provide Purchaser all information reasonably necessary for Purchaser to understand and confirm the calculations made in the Interim Statement of Adjustments. However, it is not a condition to Closing that the Purchaser approve the Interim Statement of Adjustments.

The Vendor has made diligent efforts to confirm an alternate Closing Date in writing with the Purchaser, in accordance with section 5.1(b) of the Agreement. As at the date hereof, the Vendor has not received a formal response from Purchaser regarding an alternate Closing Date.

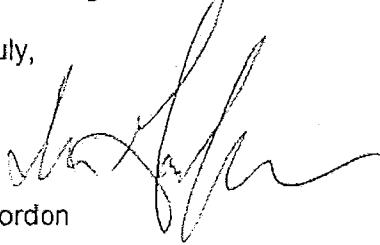
The Vendor hereby proposes an alternative Closing Date of May 5, 2016. If the Vendor does not receive either confirmation of the Vendor's proposed Closing Date, or an alternate Closing Date

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proposal acceptable to Purchaser, from the Purchase in writing on or before May 5, 2016, Vendor will terminate the Agreement in accordance with its terms and retain the Deposit.

Yours truly,



Ian T. Gordon

May 16, 2016

TO: CAPITAL OIL LTD.
Suite 202, 214 – 11th Avenue S.E.
Calgary, Alberta T2G 0X8
Attention: Christopher Hynes
E-mail: Capitaloilchris@gmail.com

RE: The Agreement of Purchase and Sale entered into between Waldron Energy Corporation ("Waldron"), by and through its court-appointed receiver FTI Consulting Canada Inc. ("FTI"), in its capacity as court-appointed receiver of the assets, properties and undertaking of Waldron Energy Corporation, and not in its personal capacity ("Vendor") and Capital Oil Ltd. ("Purchaser") made effective on the 1st day of February, 2016 (the "Purchase Agreement").

Unless otherwise specified herein, capitalized terms used herein will have the meaning given to them in the Purchase Agreement.

Pursuant to and in accordance with section 5.1(b) of the Purchase Agreement, the Parties hereby agree that the "Closing Date" under the Purchase Agreement shall be 10:00 a.m. (Calgary time) on May 17, 2016.

Vendor's agreement to extend the "Closing Date" pursuant to the paragraph above is conditional on the Purchaser paying an additional deposit to Vendor in an amount of \$ (the "**Second Deposit**") to be delivered to the offices of Vendor by no later than 5:00 p.m. on May 16, 2016 by certified cheque, bank draft or electronic transfer of funds.

The obligation of the Vendor to complete the sale of the Assets to Purchaser pursuant to the Purchase Agreement shall be subject to the condition precedent that the Purchaser have tendered the Second Deposit to Vendor, as well as an amount equal to the interest calculated on _____) DOLLARS at the Prime Rate plus two percent (2%) per annum accruing for the period from 10:00 a.m. (Calgary time) on April 5, 2016 until the Closing Date (the "**Interest Payment**"), and such condition precedent shall be deemed to be a "Vendor's Closing Condition" as such conditions are listed in section 9.1 of the Purchase Agreement.

The Purchaser shall tender the Interest Payment to the Vendor at or prior to the Closing Date and such payment shall be in addition to and shall not be credited toward the Purchaser's obligation to pay the Purchase Price, the Deposit, or the Second Deposit.

Notwithstanding section 3.3(c) of the Purchase Agreement and independent of whether Closing occurs, the Deposit shall be retained by the Vendor without any obligation to return the Deposit to the Purchaser. If Closing occurs, the Second Deposit and any interest actually accrued thereon will be credited toward the Purchaser's obligation to pay the Closing Payment in accordance with section 3.4 of the Purchase Agreement.

[Signature Page Follows]

Sincerely,

Waldron Energy Corporation, by and through its court-appointed receiver FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties and undertaking of Waldron Energy Corporation, and not in its personal capacity

Per: Brett Wilson
Name: Brett Wilson
Title: Senior Consultant

The terms of this letter agreement are hereby accepted and agreed to by Purchaser this 16th day of May, 2016.

CAPITAL OIL LTD.

Per: _____
Name
Title:

DEPOSIT ESCROW AGREEMENT

(Asset Purchase Agreement)

THIS AGREEMENT is made effective as of the March 18, 2016

AMONG:

FTI CONSULTING CANADA INC., solely in its capacity as the court-appointed receiver of **WALDRON ENERGY CORPORATION**, and not in its personal or corporate capacity (hereinafter referred to as "**Vendor**")

- and -

CAPITAL OIL LTD., a body corporate, having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Purchaser**")

- and -

BLAKE, CASSELS & GRAYDON LLP, Barristers and Solicitors, having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Escrow Agent**")

WHEREAS, Purchaser and Vendor have entered into an Asset Purchase Agreement dated effective February 1, 2016 (the "**Purchase Agreement**"), setting forth, inter alia, the understandings and agreements whereby Vendor will sell the Assets to Purchaser and Purchaser will purchase the Assets from Vendor.

AND WHEREAS, Purchaser placed the amount of \$ _____ (the "**Deposit**") in escrow with Escrow Agent pursuant to the Purchase Agreement.

AND WHEREAS, Escrow Agent is willing to hold the Deposit in escrow on behalf of Purchaser and Vendor subject to the terms and conditions of this Agreement.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Definitions.** Capitalized terms used and not defined herein (including the recitals hereof) shall have the meanings attributed to them in the Purchase Agreement.
2. **Interest.** The Deposit shall be held in escrow by Escrow Agent and invested and deposited in an interest-bearing trust account with Canadian Imperial Bank of Commerce. If any interest is earned on the Deposit which is credited to such investment, the interest shall be dealt with in the same manner as the Deposit. Escrow Agent makes no representation as to the yield available upon the Deposit, shall bear no liability for any failure to achieve the maximum possible yield from the Deposit and shall not be responsible for any failure of Canadian Imperial Bank of Commerce. The party receiving interest, if any, on the Deposit shall pay all income and other taxes applicable thereto or exigible thereon.
3. **Disposition of Deposit.** Upon receipt by Escrow Agent of a written joint direction, substantially in the form attached as Schedule "A" hereto, signed by each of Purchaser and Vendor, Escrow Agent is hereby irrevocably authorized and directed to pay the Deposit and interest accrued thereon, if any, in accordance with such written joint direction. Escrow Agent shall have no obligation to make

any determination as to the validity of any such direction or any claim made by any party for entitlement to the Deposit and interest accrued thereon and Escrow Agent shall be entitled to continue to hold the Deposit and interest accrued thereon until such time as Escrow Agent receives a written joint direction signed by both Purchaser and Vendor as contemplated in this Section 3 or until Escrow Agent is directed by final judgment of a Court as to the disposition of the Deposit and interest accrued thereon or until Escrow Agent interpleads the Deposit and interest accrued thereon as contemplated in Section 4.

4. **Dispute.** Escrow Agent shall have the right at any time to deposit the Deposit and earned interest thereon, if any, with the Accountant section of the Alberta Court of Queen's Bench in accordance with the Rules of Civil Procedure respecting interpleader or in such other manner or on such other grounds as such Court may direct. Escrow Agent shall give written notice of any such deposit to Purchasers and Vendor immediately after such deposit is made.
5. **No Agency.** The Parties hereto acknowledge that Escrow Agent is acting solely as a stakeholder at their request and for their convenience and Escrow Agent shall not be deemed to be the agent of either Purchaser or Vendor in respect of the escrow herein referred to. Escrow Agent shall not be liable to either Purchaser or Vendor for any error in judgment or for any act or omission on its part in respect of the escrow herein referred to unless such error in judgment, act or omission is made, taken or suffered in bad faith or involves gross negligence.
6. **Indemnity.** Purchaser and Vendor hereby jointly and severally agree to indemnify and hold Escrow Agent harmless from and against all costs, claims (including those from third parties) and expenses, including solicitor's fees and disbursements incurred in connection with or arising from the performance of Escrow Agent's duties or rights hereunder; provided that this indemnity shall not extend to actions or omissions taken or suffered by Escrow Agent in bad faith or involving gross negligence on the part of Escrow Agent.
7. **Fees.** Vendor agrees to pay to Escrow Agent forthwith upon receipt of an invoice therefor all of Escrow Agent's accounts for time, disbursements and applicable goods and services taxes relating to the performance by Escrow Agent of its duties or rights hereunder or other work incidental to or contemplated pursuant to the terms of this Deposit Escrow Agreement.
8. **Limitation on Duties.** It is understood and agreed that Escrow Agent's only duties and obligations in respect of the Deposit are expressly set out in this Deposit Escrow Agreement. Escrow Agent shall have the right to consult with separate counsel of its own choosing (if it deems such consultation advisable) and shall not be liable for any action taken, suffered or omitted to be taken by it if Escrow Agent acts in accordance with the advice of such counsel. Escrow Agent shall be protected if it acts upon any written or oral communication, notice, certificate or other instrument or document believed by Escrow Agent to be genuine and to be properly given or executed without the necessity of verifying the truth or accuracy of the same or the authority of the person giving or executing the same.
9. **Resignation of Escrow Agent.** Escrow Agent may, at any time, resign its obligations under this Deposit Escrow Agreement and be discharged from all further duties and liabilities hereunder by giving each of Purchaser and Vendor at least 10 days' notice in writing of its intention to resign or such shorter notice as Purchaser and Vendor may accept as sufficient. Purchaser and Vendor agree that they shall forthwith upon receipt of such notice appoint a new stakeholder to act in the place and stead of Escrow Agent and if they fail to agree on such appointment, any of Purchaser or Vendor or Escrow Agent may apply to a Justice of the Alberta Court of Queen's Bench on such notice as such Justice may direct for the appointment of a new stakeholder. Upon any new appointment, the new stakeholder will be vested with the same powers, rights, duties and obligations as if it had been originally named herein as stakeholder and such new stakeholder shall enter into an agreement with Purchaser and Vendor agreeing to be bound by all of the provisions of this Deposit Escrow Agreement.
10. **Discharge from Duties.** Upon disposing of the Deposit and interest thereon, if any, in accordance with the provisions of this Deposit Escrow Agreement, Escrow Agent shall be relieved and

discharged from all claims and liabilities relating to the Deposit and interest thereon, if any, and Escrow Agent shall not be subject to any claims made by or on behalf of any party hereto.

11. **No Conflict.** The fact that Escrow Agent is acting as stakeholder under this Deposit Escrow Agreement shall not in any way prevent it from representing Vendor in connection with the transactions contemplated in the Purchase Agreement or in any litigation arising from the Purchase Agreement or this Deposit Escrow Agreement or from representing Vendor or any other party in any other capacity or in any other transaction.
12. **Notice.** All notices or other communications given pursuant to this Deposit Escrow Agreement shall be in writing and shall be either delivered by hand or by facsimile transmission addressed as follows:

in the case of Purchaser, to:

CAPITAL OIL LTD.
Suite 202, 214 – 11th Avenue SE
Calgary, Alberta T2G 0X8

Attention: Christopher Hynes
Email: capitaloilchris@gmail.com
Facsimile:

in the case of Vendor, to:

FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal or corporate capacity.

Suite 720, 440 - 2nd Avenue SW
Calgary, Alberta T2P 5E9

Attention: Deryck Helkaa/Brett Wilson
Email: Deryck.Helkaa@fticonsulting.com/
Brett.Wilson@fticonsulting.com
Facsimile: 403- 444-6758

in the case of Escrow Agent, to:

Blake, Cassels & Graydon LLP
3500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, AB T2P 4J8

Attention: Ryan Zahara
Email: Ryan.Zahara@blakes.com
Facsimile: 403.260.9700

Any notice or other communication shall conclusively be deemed to have been given and received on the date on which it was delivered or sent if delivered or sent during normal business hours on a business day, and if delivered after normal business hours or on a day other than a business day, shall be deemed to have been given or sent on the next following business day. Any Party may change its address for notices or other communications by giving notice thereof to the other Parties to this Deposit Escrow Agreement in accordance with this Section 12.

13. **Governing Law.** This Deposit Escrow Agreement shall be construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

14. **Modification.** This Deposit Escrow Agreement may only be modified or amended by an agreement in writing signed by all of the Parties hereto.
15. **Counterpart.** This Deposit Escrow Agreement may be executed in one or more counterparts, which so executed will constitute an original and all of which together will constitute one and the same agreement. A signed counterpart provided by way of facsimile or electronic mail will be as binding upon the Parties as an originally signed counterpart.
16. **Time.** Time shall be of the essence of this Deposit Escrow Agreement.
17. **Successors and Assigns.** This Deposit Escrow Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns.

[Execution Page Follows]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

FTI CONSULTING CANADA INC.

Per: BH Wilson
Name: Brett Wilson
Title: Senior Consultant

CAPITAL OIL LTD.

Per: Chris Hynes
Name: Christopher Hynes
Title: President

BLAKE, CASSELS & GRAYDON LLP

Per: _____
Name: Kenneth B. Mills
Title: Managing Partner

This is the execution page to the Deposit Escrow Agreement made as of the ____ day of _____, 2016 among FTI Consulting Canada Inc., Capital Oil Ltd. and Blake, Cassels & Graydon LLP

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

FTI CONSULTING CANADA INC.

Per: _____
Name: _____
Title: _____

BLAKE, CASSELS & GRAYDON LLP

Per: _____
Name: Kenneth B. Mills
Title: Managing Partner

CAPITAL OIL LTD.

Per: _____
Name: _____
Title: _____

This is the execution page to the Deposit Escrow Agreement made as of the ____ day of _____, 2016 among FTI Consulting Canada Inc., Capital Oil Ltd. and Blake, Cassels & Graydon LLP

SCHEDULE "A"

Joint Direction

TO: **Blake, Cassels & Graydon LLP**
3500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, AB T2P 4J8
Attention: Ryan Zahara

RE: Deposit Escrow Agreement dated March 18, 2016 among FTI Consulting Canada Inc., solely in its capacity as the receiver of Waldron Energy Corporation, and not in its personal or corporate capacity, Capital Oil Ltd. and Blake, Cassels & Graydon LLP (the "**Escrow Agreement**")

This Joint Direction is being provided pursuant to Section 3 of the Escrow Agreement. All capitalized terms used herein will have the meaning ascribed to such terms in the Escrow Agreement.

In accordance with the Escrow Agreement, the undersigned hereby unconditionally and irrevocably authorize and direct you, as Escrow Agent, to pay the Deposit, being one hundred and ten thousand dollars (\$110,000.00), plus all accrued interest, to _____ by certified cheque, bank draft or wire transfer. The wire instructions for the recipient are as follows:

Beneficiary: [Recipient]
[Recipient's Address]

Beneficiary Bank: [Name]
[Address]
[Swift Code]
[Transit #]
[Account #]

The undersigned certifies that this Joint Direction is being made and provided to Escrow Agent in compliance with the Escrow Agreement.

This Joint Direction may be signed in counterpart and by facsimile or other electronic means.

Executed and delivered this ___ day of _____, 2016.

FTI CONSULTING CANADA INC., solely in its capacity as the receiver of Waldron Energy Corporation, and not in its personal or corporate capacity

CAPITAL OIL LTD.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Joint Direction

TO: **Blake, Cassels & Graydon LLP**
3500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, AB T2P 4J8
Attention: Ryan Zahara

RE: Deposit Escrow Agreement dated February 1, 2016 among FTI Consulting Canada Inc., solely in its capacity as the receiver of Waldron Energy Corporation, and not in its personal or corporate capacity, Capital Oil Ltd. and Blake, Cassels & Graydon LLP (the "**Escrow Agreement**")

This Joint Direction is being provided pursuant to Section 3 of the Escrow Agreement. All capitalized terms used herein will have the meaning ascribed to such terms in the Escrow Agreement.

In accordance with the Escrow Agreement, the undersigned hereby unconditionally and irrevocably authorize and direct you, as Escrow Agent, to pay the Deposit, being _____, plus all accrued interest, to FTI Consulting Canada Inc. in its capacity as the receiver of Waldron Energy Corporation, and not in its personal or corporate capacity by certified cheque, bank draft or wire transfer. The wire instructions for the recipient are as follows:

Beneficiary: FTI Consulting Canada Inc., in its capacity as the receiver of Waldron Energy Corporation, and not in its personal or corporate capacity
 Suite 720, 440 – 2nd Avenue SW
 Calgary AB T2P 5E9

Beneficiary Bank: National Bank of Canada
 301 – 6th Avenue S.W.
 Calgary AB T2P 4M9
 14051 006
 1466424

The undersigned certifies that this Joint Direction is being made and provided to Escrow Agent in compliance with the Escrow Agreement.

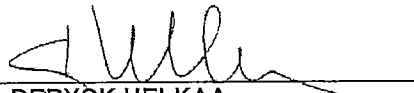
This Joint Direction may be signed in counterpart and by facsimile or other electronic means.

Executed and delivered this 24th day of May, 2016.

FTI CONSULTING CANADA INC., solely in its capacity as the receiver of Waldron Energy Corporation, and not in its personal or corporate capacity

CAPITAL OIL LTD.

Per:



Name:

DERYCK HELKAA

Title:

SENIOR MANAGING DIRECTOR

Per:



Name:

Title:



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
855 - 2nd Street S.W.
Suite 3500, Bankers Hall East Tower
Calgary AB T2P 4J8 Canada
Tel: 403-260-9600 Fax: 403-260-9700

August 8, 2016

Ryan Zahara
Dir: 403-260-9628
ryan.zahara@blakes.com

VIA EMAIL

Reference: 00079294/000009

Peter Yates and Bradley McFadden
Field Law LLP
400 - 604 1 ST SW
Calgary AB T2P 1M7

RE: Waldron Transaction PSA effective February 1, 2016

Dear Sirs:

We are writing further to our correspondence to your offices on May 16, 2016, regarding the Asset Purchase Agreement (the "**APA**") effective February 1, 2016 between FTI Consulting Canada Inc. in its capacity as receiver and manager (the "**Receiver**") of Waldron Energy Corporation and Capital Oil Ltd. ("**Capital**").

The Closing Date for the APA was originally delayed from April 5, 2016, to May 13, 2016 and then again to May 16, 2016 at 3pm in accordance with section 5.1(b) of the Agreement as a result of requests from Capital.

On May 16, 2016, we advised that Capital was in breach of its obligations under the APA for failing to close in accordance with sections 3.4 and 5.1(b) of the APA. Capital was and remains in breach of sections 3.4 and 5.1(b) of the APA as a result of the failure to close in accordance with section 3.4 on the Closing Date. The failure to comply with section 3.4 is also a breach of section 9.1(b) (Vendor's Closing Conditions) of the APA (collectively, the "**APA Breaches**").

We further advised on May 25, 2016 that the Receiver required the Joint Direction to be executed by Capital in order to release the deposit under the terms of the Escrow Agreement as a result of the APA Breaches. The Receiver did not receive a response to this correspondence.

The Receiver has not waived, amended or extended the requirements of section 3.4 or 5.1(b) and is not prepared to waive, extend or amend those requirements of the APA and will not proceed with the closing of the transaction contemplated by the APA as a result of the APA Breaches by Capital.

31260425.1



For greater certainty, the Receiver hereby terminates the APA effective immediately in accordance with section 14.1(b).

Yours truly,

Ryan Zahara

RYZ/empr

c: Deryck Helkaa (FTI)
Brett Wilson (FTI)

31260425.1

From: "Christopher R. Hynes" <capitaloilchris@gmail.com>
Date: August 15, 2016 at 1:00:07 PM MDT
To: "Helkaa, Deryck" <Deryck.Helkaa@fticonsulting.com>
Subject: **Final Offer of Resolution Capital & FTI (Sullivan Lake, Twinning Areas)**

Deryck,

This Final Offer of resolution serves to quickly resolve the frustrated negotiations between the Vendor and Purchaser. Capital Oil Ltd. is prepared to settle matters with FTI in order to avoid lengthy litigation between both Parties.

In exchange for the Capital has committed to FTI in the form of a deposit, Capital is willing to convert the full deposit amount into the same value in the form of a purchase value for 1 Sullivan Lake well 102/05-05-037-13W4/0 and 2 Twinning Area wells 100/06-23-031-24W4/0, 100/16-14-031-24W4/0.

To Capital's understanding these wells are all currently shut-in, with a negative monthly cashflow to FTI and require workovers to resume production.

Capital agrees to pay (Post Transfer) annual minerals, lands (if not already paid by FTI) as well as accept any and all associated liabilities and responsibilities for the full working interests and associated production rights of those wells.

Included in the transfer will be all the associated lands, minerals, production equipment, etc. which is, as per, a normal Oil & Gas Asset transfer.

Capital views the transfer of these wells to be good faith by the FTI and a quick resolution to an otherwise strained relationship.

Please respond by phone or email no later than 6pm Wed Aug 17 2016.

403 880 2485

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This email and any attachments may be confidential and protected by legal privilege. If you are not the intended recipient, be aware that any disclosure, copying, distribution or use of the e-mail or any attachment is prohibited. If you have received this email in error, please notify us immediately by replying to the sender and then delete this copy and the reply from your system. Thank you for your cooperation.

August 16, 2016

VIA EMAIL

capitaloilchris@gmail.com

Capital Oil Ltd.

Suite 202, 214 – 11th Avenue S.E.
Calgary, Alberta T2G 0X8

Attention: Christopher Hynes

Re: Deposit of Capital Oil Ltd.

Dear Sir:

We are writing further to your e-mail dated August 15, 2016 (the "**Capital Oil E-mail**"), a copy of which is enclosed for your reference, and with regard the deposit (the "**Deposit**") made by Capital Oil Ltd. ("**Capital Oil**") pursuant to the Asset Purchase Agreement (the "**APA**") made effective February 1, 2016 between FTI Consulting Canada Inc. in its capacity as receiver and manager (the "**Receiver**") of Waldron Energy Corporation and Capital Oil.

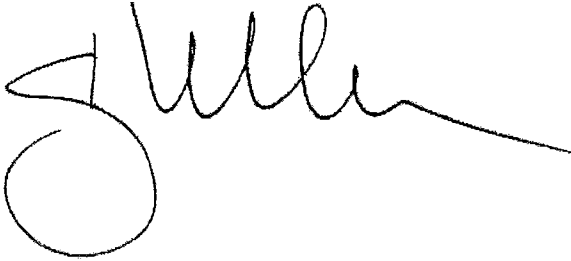
As previously advised in the letter dated August 8, 2016 from counsel to the Receiver to counsel for Capital Oil, a copy of which is enclosed for your reference, Capital Oil was and remains in breach of its obligations under the APA for failing to close the transaction contemplated by the APA in accordance with sections 3.4 and 5.1(b) of the APA. The failure to comply with section 3.4 is also a breach of section 9.1(b) (Vendor's Closing Conditions) of the APA (collectively, the "**APA Breaches**").

The Receiver has not waived, amended or extended the requirements of section 3.4 or 5.1(b) of the APA and the Receiver is not prepared to waive, extend or amend those requirements. The Receiver, for greater certainty, terminated the APA in accordance with its terms and does not have any further obligations to or agreements with Capital Oil. Further, as previously advised on May 25, 2016, as a result of the APA Breaches by Capital Oil, the Receiver is of the view the Deposit was forfeited by Capital Oil to the Receiver pursuant to section 3.3(c)(ii) of the APA.

Based on the forgoing, the Receiver will not be accepting the "Final Offer" provided in the Capital Oil E-mail, or any other offer from Capital Oil. There are no other matters or issues that remain outstanding between the Receiver and Capital Oil and the Deposit will be paid into Court by the escrow agent, pending a further order of the Court.

Sincerely,

FTI Consulting Canada Inc. in its capacity as
receiver and manager of Waldron Energy Corporation
and not in its personal capacity,

A handwritten signature in black ink, appearing to read 'Deryck Helkaa', with a large circular flourish at the end.

Deryck Helkaa
Enclosures

c: Ryan Zahara (Blake, Cassels & Graydon LLP)

From: "Christopher R. Hynes" <capitaloilchris@gmail.com>

Date: August 15, 2016 at 1:00:07 PM MDT

To: "Helkaa, Deryck" <Deryck.Helkaa@fticonsulting.com>

Subject: Final Offer of Resolution Capital & FTI (Sullivan Lake, Twinning Areas)

Deryck,

This Final Offer of resolution serves to quickly resolve the frustrated negotiations between the Vendor and Purchaser. Capital Oil Ltd. is prepared to settle matters with FTI in order to avoid lengthy litigation between both Parties.

In exchange for the _____ Capital has committed to FTI in the form of a deposit, Capital is willing to convert the full deposit amount into the same value in the form of a purchase value for 1 Sullivan Lake well 102/05-05-037-13W4/0 and 2 Twinning Area wells 100/06-23-031-24W4/0, 100/16-14-031-24W4/0.

To Capital's understanding these wells are all currently shut-in, with a negative monthly cashflow to FTI and require workovers to resume production.

Capital agrees to pay (Post Transfer) annual minerals, lands (if not already paid by FTI) as well as accept any and all associated liabilities and responsibilities for the full working interests and associated production rights of those wells.

Included in the transfer will be all the associated lands, minerals, production equipment, etc. which is, as per, a normal Oil & Gas Asset transfer.

Capital views the transfer of these wells to be good faith by the FTI and a quick resolution to an otherwise strained relationship.

Please respond by phone or email no later than 6pm Wed Aug 17 2016.

403 880 2485

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Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
855 - 2nd Street S.W.
Suite 3500, Bankers Hall East Tower
Calgary AB T2P 4J8 Canada
Tel: 403-260-9600 Fax: 403-260-9700

August 8, 2016

Ryan Zahara
Dir: 403-260-9628
ryan.zahara@blakes.com

VIA EMAIL

Reference: 00079294/000009

Peter Yates and Bradley McFadden
Field Law LLP
400 - 604 1 ST SW
Calgary AB T2P 1M7

RE: Waldron Transaction PSA effective February 1, 2016

Dear Sirs:

We are writing further to our correspondence to your offices on May 16, 2016, regarding the Asset Purchase Agreement (the "**APA**") effective February 1, 2016 between FTI Consulting Canada Inc. in its capacity as receiver and manager (the "**Receiver**") of Waldron Energy Corporation and Capital Oil Ltd. ("**Capital**").

The Closing Date for the APA was originally delayed from April 5, 2016, to May 13, 2016 and then again to May 16, 2016 at 3pm in accordance with section 5.1(b) of the Agreement as a result of requests from Capital.

On May 16, 2016, we advised that Capital was in breach of its obligations under the APA for failing to close in accordance with sections 3.4 and 5.1(b) of the APA. Capital was and remains in breach of sections 3.4 and 5.1(b) of the APA as a result of the failure to close in accordance with section 3.4 on the Closing Date. The failure to comply with section 3.4 is also a breach of section 9.1(b) (Vendor's Closing Conditions) of the APA (collectively, the "**APA Breaches**").

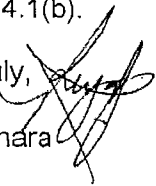
We further advised on May 25, 2016 that the Receiver required the Joint Direction to be executed by Capital in order to release the deposit under the terms of the Escrow Agreement as a result of the APA Breaches. The Receiver did not receive a response to this correspondence.

The Receiver has not waived, amended or extended the requirements of section 3.4 or 5.1(b) and is not prepared to waive, extend or amend those requirements of the APA and will not proceed with the closing of the transaction contemplated by the APA as a result of the APA Breaches by Capital.

31260425.1

Blakes

For greater certainty, the Receiver hereby terminates the APA effective immediately in accordance with section 14.1(b).

Yours truly, 

Ryan Zahara

RYZ/empr

c: Deryck Helkaa (FTI)
Brett Wilson (FTI)

31260425.1

ASSET PURCHASE AGREEMENT

BETWEEN:

**WALDRON ENERGY CORPORATION by and through its court-appointed receiver
FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of the assets,
properties and undertaking of Waldron Energy Corporation, and not in its personal
capacity**

- AND -

BONAVISTA ENERGY CORPORATION

Dated as of August 15, 2016

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT dated as of the 15th day of August, 2016.

BETWEEN:

WALDRON ENERGY CORPORATION ("Waldron" or the "Debtor") by and through its court-appointed receiver FTI CONSULTING CANADA INC. (the "Receiver"), in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation and not in its personal or corporate capacity (the "Vendor")

- and -

BONAVISTA ENERGY CORPORATION, a body corporate, having an office in the City of Calgary in the Province of Alberta (the "Purchaser")

WHEREAS the Receiver was appointed as receiver of the Property of Waldron pursuant to the terms of the Receivership Order granted on August 17, 2015;

AND WHEREAS the Vendor wishes to sell the Assets to the Purchaser and the Purchaser wishes to purchase the Assets from the Vendor, at arms' length, all upon and subject to the terms and conditions set forth in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, mutual covenants, agreements and warranties in this Agreement, the Parties covenant and agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals, this Section 1.1 and the Schedules attached hereto, unless the context otherwise requires, or unless otherwise defined herein, the following words and phrases shall have the following meanings:

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

Section 1.1(a)(i) (including Wells, structures, foundations, buildings, pipelines, seismic lines, equipment, tanks and other facilities which were abandoned or decommissioned prior to the date hereof) are or were located and all lands used to gain access to any of them;

all in accordance with generally accepted industry practices in the province where the Assets are located and in compliance with all Applicable Laws and the Title and Operating Documents.

- (b) "**Accounting Firm**" means a nationally or internationally recognized firm of chartered accountants as may be selected by the Parties.
- (c) "**AER**" means the Alberta Energy Regulator.
- (d) "**AER Pre-Approval**" means written assurances from the AER that they will not require a deposit, or any undertakings, information or other documentation or action as a condition of or a prerequisite for the approval of the transfer of any Permits or the transfer or assignment of any of the Assets to Purchaser.
- (e) "**Affiliate**" means any Person that controls, is controlled by or is under common control with a Party, or which controls, is controlled by or under common control with a Person which controls such Party; for the purposes of this definition, the term "**controls**" and "**controlled by**" 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 the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means, either directly or indirectly, that results in control in fact, provided that direct or indirect ownership of shares of a corporation carrying not less than fifty (50%) percent of the voting rights shall constitute control of such corporation. For certainty, a partnership which is a Party and which is comprised of corporations which are Affiliates shall be deemed to be an Affiliate of each such corporation and its other Affiliates.
- (f) "**Agreement**" means this Asset Purchase Agreement including the recitals hereto and the Schedules attached hereto.
- (g) "**Applicable Laws**" means, in relation to any Person, asset, transaction, event or circumstance:
 - (i) statutes (including regulations enacted thereunder);
 - (ii) judgments, decrees and orders of courts of competent jurisdiction;
 - (iii) regulations, orders, ordinances and directives issued by Government Authorities; and
 - (iv) the terms and conditions of all permits, licenses, approvals and authorizations;

which are applicable to such Person, asset, transaction, event or circumstance.

- (h) "**Assets**" means all of the Debtor's right, title, estate and interest in the Petroleum and Natural Gas Rights, the Miscellaneous Interests and the Tangibles, but excluding the Excluded Assets.
- (i) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta.
- (j) "**Claim**" means any claim, actions, causes of action, demand, lawsuit, proceeding, judgment, awards, decrees, determinations, adjudications, writs, orders, pronouncements, audits, arbitration, mediation, hearings, investigations, governmental investigation or actions of every kind, nature or description, in each case, whether asserted, threatened, pending, contingent or existing, and whether based on contract, tort, statute or other legal or equitable theory of recovery.
- (k) "**Closing**" means the transfer of possession, risk, beneficial and legal ownership of the Assets from the Vendor to the Purchaser, the exchange of Conveyance Documents and the release of the Closing Payment by the Escrow Agent to the Vendor, and all other items and consideration required to be delivered on the Closing Date pursuant hereto.
- (l) "**Closing Date**" has the meaning provided in Section 5.1.
- (m) "**Closing Payment**" has the meaning provided in Section 3.4(a).
- (n) "**Conveyance Documents**" means all conveyances, assignments, transfers, novations, notices of assignment, trust agreements and declarations, subleases, directions to pay and other documents and instruments that are reasonably required or desirable in accordance with generally accepted oil and gas industry practice in the province where the Assets are located, to convey, assign and transfer title to the Assets held in the name of the Debtor to the Purchaser and to novate the Purchaser or its Affiliates in the place and stead of the Debtor or its Affiliates with respect to the Assets.
- (o) "**Court**" means the Court of Queen's Bench of Alberta.
- (p) "**Court Approval**" means the approval of the Transaction by the Court and the vesting of the Assets in the name of the Purchaser free and clear of any Encumbrances other than the Permitted Encumbrances, and providing for the sealing of the terms of this Agreement, substantially in the form attached hereto as Schedule "D".
- (q) "**Data Room Information**" means all information provided to the Purchaser in electronic form in relation to the Debtor and/or the Assets.
- (r) "**Debtor**" is as defined in the preamble.
- (s) "**Deposit**" has the meaning provided in Section 3.3(a).
- (t) "**dollar**" and "**\$**" mean a dollar of the lawful money of Canada.
- (u) "**Effective Time**" means 12:01 a.m. on July 1, 2016.

- (v) **"Encumbrance"** means all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, royalties, pledges, options, privilege, interests, assignments, actions, executions, levies, taxes, judgments, writs of execution, lease, reservation of ownership, rights of pre-emption, claims (whether financial, monetary or otherwise) or charges, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including, without limiting the generality of the foregoing, and encumbrances or charges created by the Receivership Order or any other order in the Receivership Proceedings and all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system;
- (w) **"Environment"** means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.
- (x) **"Environmental Law"** means all Applicable Laws respecting the protection of, or the control, remediation or reclamation of contamination or pollution of, the Environment or any part thereof.
- (y) **"Environmental Liabilities"** means all past, present and future obligations and liabilities of whatsoever nature or kind arising from or relating to, directly or indirectly:
- (i) Environmental Matters;
 - (ii) past, present and future non-compliance with, violation of or liability under Environmental Laws relating to or arising in connection with the ownership or control of the Assets; or
 - (iii) Abandonment and Reclamation Liabilities,
- whenever occurring or arising.
- (z) **"Environmental Matters"** means any activity, event or circumstance in respect of or relating to:
- (i) the storage, use, holding, collection, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling, transportation or Release of Hazardous Substances;
 - (ii) the protection of the Environment; or
 - (iii) pollution, reclamation, remediation or restoration of the Environment;

in each case relating to or arising in connection with the ownership or control of the Lands or the Assets or that has or have arisen or hereafter arise from or in respect of past, present or future Operations, activities or omissions in or on the

Lands or in respect of the Assets; including obligations to compensate Third Parties for Losses and Liabilities.

- (aa) "**Escrow Agent**" has the meaning provided in Section 3.3(a).
- (bb) "**Escrow Agreement**" means the escrow agreement to be entered into among the Purchaser, the Vendor and the Escrow Agent in connection with the escrow arrangements contemplated by this Agreement.
- (cc) "**Escrow Assets**" has the meaning provided in Section 8.2(b)(i).
- (dd) "**Escrow Delivery Date**" means the date that is two (2) Business Days following the day the Court Approval is obtained or such other Business Day as the Parties may agree in writing.
- (ee) "**Excluded Assets**" means any and all Wells that have been properly abandoned in accordance with the requirements of the AER, all Wells which have received a reclamation certificate from the AER and all Wells that are exempt from a requirement to obtain a reclamation certificate from the AER prior to releasing the licensee from any further Environmental Liabilities with respect to such Wells.
- (ff) "**Facilities**" means the Debtor's entire interest in the facilities related to the Assets including the facilities described in Schedule "A", Part 4 and all discontinued facilities.
- (gg) "**Final Statement of Adjustments**" has the meaning provided in Section 4.2(b).
- (hh) "**GAAP**" means generally accepted accounting principles as applied in Canada as of the Effective Time.
- (ii) "**General Conveyance**" means the general conveyance in the form attached as Schedule "B".
- (jj) "**Government 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.
- (kk) "**GST**" the goods and services tax required to be paid pursuant to the *Excise Tax Act* (Canada) and in accordance with Section 3.5(a).
- (ll) "**Hazardous Substances**" means hazardous or toxic substances, hazardous wastes, radioactive substances, asbestos, dangerous goods and Petroleum Substances, including any and all substances and wastes regulated under Environmental Law.
- (mm) "**Interim Statement of Adjustments**" has the meaning provided in Section 4.2(a).
- (nn) "**Land Schedule**" means the lands listed in Schedule "A", Part 1.

- (oo) "**Lands**" means the entire interest of Debtor as of the Effective Time in and to the lands set forth and described in the Land Schedule, and includes (i) unless the context otherwise requires, the surface of such lands and (ii) the Petroleum Substances within, upon or under such lands, together with the rights to mine for, drill for, explore for, win, take, own or remove same, insofar as the same are granted by the Leases to such lands.
- (pp) "**Leases**" means the leases, subleases, reservations, permits, licenses or other documents of title set forth and described in the Land Schedule by virtue of which the holder thereof is entitled to drill for, explore for, mine, win, take, own or remove Petroleum Substances underlying the Lands and include, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefor.
- (qq) "**Losses and Liabilities**" means, in relation to a matter, any and all:
- (i) losses, costs, damages, expenses and charges (including all penalties, assessments and fines) which a Party suffers, sustains, pays or incurs, directly or indirectly, in connection with such matter and includes costs of legal counsel (on a full indemnity basis) and other professional advisors and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained and includes taxes payable on any settlement payment or damage award in respect of such matter; and
 - (ii) liabilities and obligations (whether under common law, in equity, under Applicable Law or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which a Party suffers, sustains, pays or incurs as a result of or in connection with such matter;
- but excluding indirect, incidental, consequential, exemplary, special or punitive losses or damages or loss of profits suffered, sustained, paid or incurred by a Party.
- (rr) "**Maple Leaf Agreements**" means (i) the Royalty Agreement dated June 14, 2014 between Waldron and Maple Leaf 2013 Oil & Gas Income Limited Partnership and (ii) the Agreement of Purchase and Sale dated June 9, 2014 between Waldorn and Maple Leaf 2013 Oil & Gas Income Limited Partnership.
- (ss) "**Material Contracts**" means those agreements and other arrangements material to the operation of the Assets identified in Schedule "F".
- (tt) "**Miscellaneous Interests**" means all of the right, title, interest and estate of the Debtor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum and Natural Gas Rights and the Tangibles), to the extent relating to the Petroleum and Natural Gas Rights, the Tangibles or the Lands, including the following property, rights and assets:

- (i) all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Petroleum and Natural Gas Rights, the Tangibles or the Lands, including the Material Contracts, and including the Title and Operating Documents and any rights of the Debtor in relation thereto;
 - (ii) the Surface Interests and all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Surface Interests, including the Title and Operating Documents and any rights of the Debtor in relation thereto;
 - (iii) geological, geochemical and mineralogical data, reports and findings and archive samples, and all core or liquid samples and cuttings;
 - (iv) all engineering and technical information, to the extent relating to the Petroleum and Natural Gas Rights, the Tangibles or the Lands which the Debtor has in its custody or has access, excluding any such information which is subject to confidentiality restrictions;
 - (v) all permits, licenses, approvals, orders and other authorizations, crossing privileges and other subsisting rights to carry out operations on the Lands and any lands upon which the Tangibles or Wells are located, including well and pipeline licenses and other permits, licenses, approvals, orders and other authorizations relating to the Petroleum and Natural Gas Rights, the Tangibles, the Wells or the Lands;
 - (vi) the Wells, including the entire wellbores and casings, and all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Wells, including the Title and Operating Documents and any rights of the Debtor in relation thereto; and
 - (vii) all extensions, renewals, replacements, substitutions or amendments of or to any of the agreements and instruments described in paragraphs (i) to (vii), above.
- (uu) "**Operations**" means any and all work, activities and operations of any kind whatsoever conducted on or with respect to the Assets.
- (vv) "**Outstanding ROFRs**" has the meaning provided in Section 8.2(b).
- (ww) "**Party**" means the Vendor or the Purchaser, and "**Parties**" means the Vendor and the Purchaser.
- (xx) "**Permits**" means, all licences, permits, approvals and authorizations granted or issued by any Government Authorities and relating to the construction, installation, ownership, use or operation of the Assets.

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

- (i) easements, rights of way, servitudes, permits, licenses and other similar rights in land, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cable;
- (ii) the right reserved to or vested in any Government Authority by the terms of any Title and Operating Document, lease, license, franchise, grant or permit or by any Applicable Law, to terminate any such Title and Operating Document, lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;
- (iii) the right reserved to or vested in any Government Authority to levy taxes on Petroleum Substances or the income or revenue attributable thereto and governmental requirements and limitations of general application;
- (iv) rights reserved to or vested in any Government Authority to control or regulate any of the Assets in any manner;
- (v) liens granted in the ordinary course of business to a public utility or Government Authority in connection with operations on or in respect of the Lands;
- (vi) the express or implied reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Lands or interests therein and statutory exceptions to title;
- (vii) all royalty burdens, liens, adverse claims, penalties, conversions and other Encumbrances identified in the Land Schedule;
- (viii) contracts for the purchase, processing, transportation or storage of Petroleum Substances or for the contract operation of any of the Assets that are terminable without penalty on 31 days or less notice;
- (i) the terms and conditions of the Leases and the Title and Operating Documents, provided that, any Encumbrance created under or pursuant to any such Title and Operating Documents will be a Permitted Encumbrance only if it also satisfies another provision of this Section (xx); and
- (ii) any other circumstance, matter or thing disclosed in any Schedule hereto.

Additionally, the following items must be identified in a Schedule to qualify as a Permitted Encumbrance: (A) any overriding royalty, net profits or other similar encumbrance applicable to the Petroleum and Natural Gas Rights for which Purchaser will assume the obligation for payment; (B) any existing potential alteration of the Debtor's interests in the Assets because of a payout conversion or farm-in, farm-out or other similar agreement; and (C) any security interest

which would not be a Permitted Encumbrance under the preceding paragraphs of this definition.

- (zz) "**Person**" means any individual, company, corporation, limited or unlimited liability company, sole proprietorship, joint venture, partnership (limited or general), trust, trustee, executor, Government Authority or other entity.
- (aaa) "**Petroleum and Natural Gas Rights**" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Debtor in and to the Lands and the Leases, subject in all events to the Permitted Encumbrances, as more particularly set out in Schedule "A", Part 3.
- (bbb) "**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 or produced in conjunction with any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and hydrogen sulphide.
- (ccc) "**Place of Closing**" means the offices of Blake, Cassels & Graydon LLP at 3500, 855 – 2nd Street S.W. in the City of Calgary in the Province of Alberta, or as otherwise agreed to in writing by the Parties.
- (ddd) "**Prime Rate**" means the rate of interest (expressed as a rate per annum) used by the main branch of the National Bank in Calgary, Alberta from time to time as the reference rate used in determining the rates of interest payable on Canadian dollar commercial demand loans made by such bank in Canada and which is announced by such bank, from time to time, as its "prime rate".
- (eee) "**Property**" has the meaning given to it in the Receivership Order.
- (fff) "**Purchase Price**" has the meaning given in Section 3.1.
- (ggg) "**Purchaser Entity**" means the Purchaser and its Representatives, and each of their respective successors and assigns.
- (hhh) "**Receiver's Counsel**" means Blake, Cassels & Graydon LLP.
- (iii) "**Receivership Order**" means the order issued by the Court in the Receivership Proceedings on August 17, 2015, as amended, modified or supplemented from time to time.
- (jii) "**Receivership Proceedings**" means the proceedings before the Court and identified as Court File No. 1501-09424.
- (kkk) "**Release**" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of a Hazardous Substance into or through the Environment or into or out of any lands, including the movement of a Hazardous Substance through or in any part of the Environment.

- (III) "**Representatives**" means, with respect to any Party, the respective directors, officers, servants, agents, advisors, employees, consultants and representatives of that Party.
- (mmm) "**Right of First Refusal**" or "**ROFR**" means a right of first refusal, pre-emptive right of purchase or similar right whereby any Third Party has the right to acquire or purchase any of the Assets as a consequence of the parties entering into this Agreement or the completion of the Transaction.
- (nnn) "**Section 12 Default**" means the default notice dated May 12, 2016 with respect to lease 004 0486010387.
- (ooo) "**Surface Interests**" means all right, title, interest and estate of the Debtor to enter upon, use, occupy and enjoy the surface of the Lands, and any lands with which the same have been pooled or unitized, and any lands upon which the Wells or the Tangibles are located and any lands used to gain access thereto or egress therefrom, in each case, for purposes related to the use or ownership of the Petroleum and Natural Gas Rights, the Tangibles or Wells or Operations, whether the same are held in fee simple, under a surface lease, by right of way, easement, license of occupation or otherwise.
- (ppp) "**Tangibles**" means, collectively, (i) all of the right, title, interest and estate of the Debtor in the Facilities; and (ii) all right, title, interest and estate of the Debtor and whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to the tangible depreciable property and assets located within, upon, to the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable Petroleum Substances or in connection with water condensate, injection or removal operations or other *in situ* operations that pertain to the Petroleum and Natural Gas Rights, and including those assets listed in Schedule "A", Part 5 and all gas plants, oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, separators, pumps, tanks, boilers, communication equipment and all salvageable equipment pertaining to any Wells listed in Part 2 of Schedule A.
- (qqq) "**Third Party**" means any Person other than the Parties, their Affiliates or their respective Representatives.
- (rrr) "**Title and Operating Documents**" means all agreements, contracts, instruments and other documents that govern the ownership, operation or use of the Assets or relate to Permitted Encumbrances, including (i) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created, (ii) permits, licenses, approvals, orders and authorizations, (iii) operating agreements, pooling agreements, unit agreements, production allocation agreements, trust declarations, participation agreements, joint venture agreements, purchase and sale agreements, asset exchange agreements, farm-in agreements, farm-out agreements and royalty agreements, (iv) agreements that create or relate to Surface Interests, including surface rights documentation and road use agreements, (v) agreements for the construction, ownership and/or operation of the Tangibles and the Wells, (vi) trust declarations and other documents and instruments that evidence the Debtor's

interests in the Assets, (vii) trust declarations pursuant to which the Debtor hold interests in the Lands in trust for other Persons, (viii) service agreements for the treating, gathering, storage, transportation or processing of Petroleum Substances or other substances, the injection or subsurface disposal of other substances, the use of well bores or the operation of any Tangibles or Wells by a Third Party, and (ix) agreements for the sale of Petroleum Substances that are terminable on 31 days notice or less without early termination penalty or other cost.

- (sss) "**Transaction**" means the transaction for the purchase and sale of the Assets as contemplated by this Agreement.
- (ttt) "**Vendor Consents**" has the meaning provided in Section 8.1.
- (uuu) "**Vendor Entity**" means the Vendor and its Representatives, and each of their respective successors and assigns.
- (vvv) "**Wells**" means all producing, shut in, abandoned, suspended, capped, water source, service, observation, delineation, injection and disposal wells located on the or within the Lands or any lands pooled or unitized therewith, whether or not completed, as set out in Schedule A, Part 2, together with all well licenses relating thereto but specifically excluding all abandoned wells that have been reclamation certified.

1.2 Interpretation

The following rules of construction shall apply to this Agreement unless the context otherwise requires:

- (a) the headings in this Agreement are inserted for convenience of reference only and shall not affect the meaning, interpretation or construction of this Agreement;
- (b) all documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of a conflict;
- (c) any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and in force at the date hereof;
- (d) whenever the singular or masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or referring to a body politic or corporate, and *vice versa*, as the context requires;
- (e) the words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and not to any particular provision of this Agreement;
- (f) reference to any Article, Section or Schedule means an Article, Section or Schedule of this Agreement unless otherwise specified;

- (g) if any provision of a Schedule hereto conflicts with or is at variance with any provision in the body of this Agreement, the provisions in the body of this Agreement shall prevail to the extent of the conflict; and
- (h) "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.3 Schedules

The following schedules are attached to and form part of this Agreement:

SCHEDULE "A"	
Part 1	Lands, Leases and Permits
Part 2	Wells
Part 3	Petroleum and Natural Gas Rights
Part 4	Facilities
Part 5	Other Assets
SCHEDULE "B"	Form of General Conveyance
SCHEDULE "C"	Form of Officer's Certificate
SCHEDULE "D"	Form of Court Approval Order
SCHEDULE "E"	ROFRs
SCHEDULE "F"	Material Contracts

If any term or condition of such Schedules conflicts or is inconsistent with any term or condition in the main body of this Agreement, the term or condition in the main body of this Agreement shall prevail to the extent of the conflict or inconsistency.

1.4 Interpretation If Closing Does Not Occur

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

1.5 Knowledge or Awareness

References to a Party's knowledge or awareness and similar references contained in Sections 10.1 and 10.3 mean the actual knowledge or awareness, as the case may be, of the officers and senior managers of such Party who are primarily responsible for the matters in question, and does not include knowledge and awareness of any other Person or any other Person or any constructive or imputed knowledge. A Party shall not have any obligation to make inquiry of any Person or the files and records of any Person or of any Government Authority in connection with any representations and warranties contained herein that are made to its knowledge, information, belief or awareness.

**ARTICLE 2
PURCHASE AND SALE**

2.1 Purchase and Sale

Subject to the terms and conditions of this Agreement, the Vendor hereby agrees to sell, assign, transfer, convey and set over the Assets to the Purchaser, and the Purchaser agrees to purchase and accept the Assets from the Vendor, at and for the Purchase Price.

2.2 Transfer of Assets

Provided that Closing occurs, and subject to the terms and conditions of this Agreement, possession, risk, beneficial and legal ownership of the Assets shall transfer from the Vendor to the Purchaser on the Closing Date.

2.3 Excluded Liabilities

The Purchaser shall not assume any liabilities or obligations of the Vendor other than as may be specifically provided in this Agreement.

**ARTICLE 3
PURCHASE PRICE AND PAYMENT**

3.1 Purchase Price

The purchase price to be paid by the Purchaser to the Vendor for the Assets shall be \$ _____, subject to adjustment only as set forth in Section 4.1 and Section 4.2 (the "Purchase Price").

3.2 Allocation of the Purchase Price

The Purchase Price shall be allocated among the Assets as follows:

- (a) to the Petroleum and Natural Gas Rights \$ _____
- (b) to the Tangibles \$ _____
- (c) to the Miscellaneous Interests \$ _____

3.3 Deposit

- (a) The Parties will execute and deliver the Escrow Agreement as of the date of this Agreement. The Purchaser shall pay to the Receiver's Counsel (as "**Escrow Agent**"), by certified cheque, bank draft or electronic transfer of funds, a deposit of \$ _____ on the date that it executes this Agreement (referred to hereinafter as the "**Deposit**"). The Deposit shall be held in trust by the Escrow Agent and shall be releasable in accordance with this Agreement and the Escrow Agreement. The Parties shall deliver written direction to the Escrow Agent for release of the Deposit in accordance with the other provisions of this Section 3.3.
- (b) If Closing occurs in accordance with the terms and conditions of this Agreement, the Deposit received by the Receiver's Counsel shall be paid to the Vendor and credited against the Purchase Price, in partial satisfaction of the Purchaser's obligation to pay the Purchase Price at Closing.
- (c) If Closing does not occur:
 - (i) due to one or more of the Purchaser's conditions in Section 9.2 of this Agreement not having been satisfied or waived in accordance with the terms of this Agreement, or for any other reason other than as provided in Section 3.3(c)(ii), including if this Agreement terminates pursuant to Section 3.4(a)(iii), the Deposit shall be returned by the Receiver's Counsel, to the Purchaser, this Agreement shall thereupon terminate, and each Party shall be released from all obligations and liabilities under or in connection with this Agreement; or
 - (ii) due to the Purchaser being in default of its obligations pursuant to Sections 9.1(a), (b) and (c) of this Agreement, and such default not having been waived in accordance with the terms of this Agreement, this Agreement shall thereupon terminate and the Deposit shall be forfeited to the Vendor for Vendor's own account absolutely as liquidated damages and not as a penalty as a result of Closing not occurring, which forfeiture of the Deposit shall constitute Vendor's sole remedy in such instance, with no right to claim further damages or other remedies from Purchaser.

3.4 Closing Payment

- (a) On the Escrow Delivery Date, the Purchaser shall pay the adjusted Purchase Price by certified cheque, bank draft or electronic wire transfer, as set forth in the Interim Statement of Adjustments, plus any taxes and fees (including GST) payable under Section 3.5 (the "**Closing Payment**") and the Parties shall deliver all closing documentation and Specific Conveyances to be executed or exchanged in accordance with this Agreement into escrow with the Escrow Agent where they will be held in trust by the Escrow Agent, and the Closing Payment shall be held in an interest bearing account, all in accordance with the Escrow Agreement, until:
 - (i) the Parties have notified the Escrow Agent by written direction that all Permits have been transferred and registered in the name of Purchaser, following which, subject to the escrow provisions set forth in Section 8.2,

the Closing Payment, excluding that portion of the Purchase Price subject to the Escrow Assets, and any interest earned thereto shall be paid by the Escrow Agent to the Vendor in satisfaction of the Purchaser's obligation to pay the Purchase Price and all closing documentation and Specific Conveyances deposited with the Escrow Agent to be executed or exchanged in accordance with this Agreement, excluding those required for the sale of the Escrow Assets by Vendor, will be released to the Parties and will be of full force and effect and Closing shall be deemed to have occurred; or

- (ii) the AER has not approved the Permit transfers in accordance with Sections 3.4(a)(i) and the Purchaser has notified the Vendor and the Escrow Agent in writing of the Purchaser's election, in the Purchaser's sole discretion, to terminate this Agreement, in which case the Parties shall notify the Escrow Agent by written direction that:
 - (A) the Closing Payment and any interest earned thereto shall be refunded by the Escrow Agent to the Purchaser and the Deposit shall be returned to the Purchaser;
 - (B) all closing documentation and Specific Conveyances deposited with the Escrow Agent, to be executed or exchanged in accordance with this Agreement, will be of no force or effect and shall be destroyed; and
 - (C) this Agreement shall thereupon terminate and, subject to Section 14.2, each Party shall be released from all obligations and liabilities under or in connection with this Agreement.

3.5 Taxes and Fees

- (a) The Purchase Price does not include GST. On the Escrow Delivery Date, the Purchaser shall pay to the Escrow Agent an amount equal to the statutory rate of GST on the portion of the Purchase Price allocated to Tangibles and Miscellaneous Interests pursuant to Section 3.2 and on the amount attributable to any other Assets or expenses to which GST may apply. The Purchaser shall be liable for the payment and remittance of any additional amount of GST payable in respect of the purchase of the Assets pursuant hereto, including any interest, penalties, or any other costs payable in respect of such additional GST, and shall indemnify and save harmless the Vendor in respect thereof. The GST Registration Number of Waldron is 85790 2100 RT0002. The GST Registration Number of the Purchaser is 136 072 618 RT0001.
- (b) The Purchaser shall also be liable for and shall pay any and all land transfer taxes, federal or provincial sales taxes and all other taxes, duties or other similar charges properly payable upon and in connection with the conveyance and transfer of the Assets by the Vendor to the Purchaser and the Purchaser shall be responsible for all recording charges and registration fees payable in connection therewith.

ARTICLE 4 ADJUSTMENTS

4.1 Adjustments

- (a) All costs and revenues accruing, payable, paid, received or receivable in respect of the Assets, including rentals, maintenance, development, capital and operating costs, advances, and payments with respect to Permitted Encumbrances shall be apportioned between the Vendor and the Purchaser on an accrual basis in accordance with GAAP as of the Effective Time, on and subject to the following:
- (i) except as otherwise provided in this Section 4.1, all such costs and revenues accruing up to the Effective Time shall be for the account of the Vendor and all such costs and revenues accruing after the Effective Time shall be for the account of the Purchaser;
 - (ii) all such revenues accruing up to the Effective Time shall be for the Vendor's account, regardless of whether such revenues are received or receivable prior to or after the Effective Date, and Purchaser shall hold in trust for, on behalf of and pay to the Vendor any such revenues received by the Purchaser, and all such revenues accruing after the Effective Time shall be for the Purchaser's account, regardless of whether such revenues are received or receivable prior to or after the Effective Date, and Vendor shall hold in trust for, on behalf of and pay to the Purchaser any such revenues received by the Vendor;
 - (iii) all costs of whatever nature that pertain to work performed or goods or services provided with respect to the Assets prior to the Effective Time, shall be borne by the Vendor, regardless of the time at which those costs become payable and all costs of whatever nature that pertain to work performed or goods or services provided with respect to the Assets after the Effective Time, shall be borne by the Purchaser, regardless of the time at which those costs become payable;
 - (iv) all rentals, property taxes and other periodic payments (other than income taxes, net revenue or capital) shall be apportioned between the Vendor and the Purchaser on a *per diem* basis as of the Effective Time, provided that (a) all such rentals, property taxes and other periodic payments accruing up to the Effective Time shall be for the Vendor's account (it being expressly understood and agreed that any rentals, property taxes and other periodic payments vested off title to the Assets in accordance with the Court Approval shall not be adjusted), and (b) all such rentals, property taxes and other periodic payments accruing after the Effective Time shall be for the Purchaser's account; and
 - (v) there shall not be any adjustment on account of income taxes, net revenue or capital.
- (b) All adjustments to be made pursuant to this Section 4.1 shall be allocated to the Petroleum and Natural Gas Rights.

4.2 Statement of Adjustments

- (a) The Vendor shall carry out an accounting and adjustment and prepare and deliver to the Purchaser at least three (3) Business Days prior to the Closing Date a statement setting forth the Vendor's good faith estimate of all adjustments to be made for the Transaction (the "**Interim Statement of Adjustments**") in accordance with the foregoing Section 4.1. Vendor shall make available to Purchaser, all information reasonably necessary for Purchaser to understand and confirm the calculations in that statement.
- (b) Within ninety (90) days following the Closing Date, the Vendor shall prepare and deliver, and the Purchaser shall cooperate in preparing, a final statement of all adjustments and payments ("**Final Statement of Adjustments**"), on the basis of the information available within that period, to be made pursuant to Section 4.1 including any settlement payment required to be made by either Party as a result of differences between the Final Statement of Adjustments and the Interim Statement of Adjustments.
- (c) During the thirty (30) days following receipt by the Purchaser of the Final Statement of Adjustments, either Party may audit the books, records and accounts of the other Party and their successors and assigns respecting the Assets and Final Statement of Adjustments, for the purpose of confirming settlement payments pursuant to this Section. Such audit shall be conducted upon reasonable notice to the other Party at the non-auditing Party's offices during normal business hours, and shall be conducted at the sole expense of the auditing Party. Any claims or discrepancies disclosed by such audit shall be made in writing to the other Party within thirty (30) days following the receipt by the Purchaser of the Final Statement of Adjustments, and if a proposed change is disputed by the other Party and the Parties fail to resolve the dispute within 10 days after receipt of such notice of a claim or discrepancy, then an Accounting Firm shall be immediately engaged by the Parties to resolve the dispute and the Accounting Firm shall be requested to render its decision without qualifications, other than the usual qualifications relating to engagements of this nature, within 14 days after the dispute is referred to it. The decision of the Accounting Firm shall be final and binding upon the Parties and shall not be subject to appeal by either Party. Each of Vendor and Purchaser shall be responsible for and shall pay 50% of the fees and expenses of the Accounting Firm.
- (d) All adjustments shall be settled by the prompt payment by any Party obliged to make payment pursuant to this Agreement. Interest at the Prime Rate plus one percent per annum shall be paid on any settlement payment which remains unpaid by one Party to the other Party when due, with such interest accruing from the date such amount is due to the date payment is made.
- (e) Subject only to this Section 4.2, the Final Statement of Adjustments shall constitute the final accounting between the Parties in respect of costs and revenues accruing, payable, paid, received or receivable in respect of the Assets, shall be binding on the Parties and shall not be subject to dispute. For certainty, notwithstanding any other provision in this Agreement, save pursuant to the Final Statement of Adjustments, there shall be no further adjustments made between the Parties in respect of any costs or revenues accruing, payable, paid, received

or receivable in respect of the Assets, including rentals, maintenance, development, capital and operating costs, advances, and payments with respect to Permitted Encumbrances, including, but not limited to, any costs or revenues that are disclosed or adjusted as a consequence of any subsequent joint venture audits, royalty adjustments or similar audit or adjustment procedures pursuant to the Title and Operating Documents or Applicable Law.

- (f) Subject to Section 4.2(c), the Purchaser and the Vendor will each bear their own fees and expenses, including the fees and expenses of their respective accountants and auditors, in preparing or reviewing, as the case may be, the Final Statement of Adjustments.

ARTICLE 5 CLOSING

5.1 Closing

The Closing of the Transaction shall take place at the Place of Closing or such other place as the Parties may agree on the date that the closing documents, the Deposit and the Closing Payment are released from escrow pursuant to Section 3.4(a)(i) (the "**Closing Date**").

ARTICLE 6 INTERIM PROVISIONS

6.1 Assets to be Maintained

Until the Closing Date, the Vendor shall, subject to the Title and Operating Documents:

- (a) subject to the terms of the Receivership Order, cause the Assets to be operated and maintained in a proper and prudent manner in accordance with generally accepted industry practices and all Applicable Laws pertaining to the Assets;
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due prior to the Closing Date;
- (c) continue to maintain its insurance coverage in respect of the Assets that is in effect as of the date of this Agreement; and
- (d) subject to the terms of the Receivership Order, perform and comply in all material respects with the covenants and conditions contained in the Title and Operating Documents to be performed or complied with by the Vendor prior to Closing.

6.2 Restrictions on Conduct of Business

The Vendor shall not, between the date of this Agreement and the Closing Date, without the written consent of the Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure out of the ordinary course of business with respect to the Assets, of which the Debtor's share is in excess of \$25,000, except in the case of an emergency or as

may be reasonably necessary to protect or ensure life and safety or to preserve the Assets or title to the Assets (including Lease rental payments);

- (b) materially amend or terminate any agreement or instrument relating to the Assets or enter into any new agreement or commitment relating to the Assets, except as may be reasonably necessary to protect or ensure life and safety or to preserve the Assets or title to the Assets;
- (c) surrender or abandon any of the Assets;
- (d) sell, transfer, assign, encumber or otherwise dispose of any of the Assets or any interest therein, create any adverse Claims against the Assets or agree to do any of the foregoing except for sales of surplus equipment, materials, supplies and inventory in the ordinary course of business and provided that such proceeds shall be adjusted for pursuant to Section 4.2;
- (e) exercise any right or option of the Debtor relative to or arising as a result of the ownership of the Assets;

or agree to do any of the foregoing.

6.3 Following Closing

- (a) Following Closing, Vendor shall hold title to the Assets in trust for Purchaser, as bare legal trustee, until all necessary notifications, registrations and other steps required to transfer such title to Purchaser have been completed and, in furtherance thereof:
 - (i) the Vendor shall forward all statements, notices and other information received by it pursuant to such Title and Operating Document that pertains to the Assets to Purchaser promptly following its receipt thereof; and
 - (ii) the Vendor shall forward to other parties to the Title and Operating Documents such notices and elections pursuant to such Title and Operating Documents pertaining to the Assets as Purchaser may reasonably request;

provided that the Vendor shall not be required to initiate or conduct Operations in relation to the Assets.

- (b) Purchaser shall indemnify and save and hold harmless the Vendor Entity from and against all Losses and Liabilities arising as a consequence of the provisions of this Section 6.3, except to the extent caused by the gross negligence or wilful misconduct of the Vendor Entity. Acts or omissions taken by the Vendor Entity on the instructions of, or with the express written approval of the Purchaser shall not constitute gross negligence or wilful misconduct.

**ARTICLE 7
ACCESS TO INFORMATION AND RECORDS**

7.1 Technical and Operating Information

The Vendor shall, upon request and subject to contractual restrictions relating to disclosure, make available all technical data relating to the Assets (including, as may be available, seismic data, drilling reports, land files, surface disposition files, environmental files, well files and production records, but excluding data and information which are subject to confidentiality restrictions prohibiting their disclosure) as are in the possession or control of the Vendor or the Debtor for such inspection as the Purchaser reasonably requires in connection herewith. Upon reasonable written notice to the Vendor the Purchaser shall be entitled to conduct a field inspection of the Lands.

7.2 No Right to Reduction in Purchase Price

Notwithstanding anything to the contrary in this Agreement, the Purchaser acknowledges and agrees that it shall have no right or other entitlement to any abatement or reduction in the Purchase Price as a result of, arising from or in connection with any deficiency or allegation of deficiency in respect of the Assets, including, without limitation, any Environmental Liability or deficiency or title deficiency, whether identified in connection with the Purchaser's right to information as provided by Section 7.1 or otherwise.

7.3 Access to Records

The Vendor may, at its sole expense, for a period of two (2) years after Closing, request from the Purchaser copies or photocopies of any Title and Operating Documents, correspondence, documents, records, policies, manuals, reports, or other proprietary, confidential business or technical information which were delivered to the Purchaser at Closing by the Vendor and which the Vendor reasonably requires. The Purchaser shall use reasonable commercial efforts to provide the Vendor with the requested documentation.

**ARTICLE 8
THIRD PARTY CONSENTS AND RIGHTS OF FIRST REFUSAL**

8.1 Consents

The Vendor shall, forthwith upon execution of this Agreement, use commercially reasonable efforts to:

- (a) identify and request in writing all necessary consents, permissions and approvals by Third Parties and Government Authorities in connection with the Transaction customarily obtained by a vendor prior to Closing (the "**Vendor Consents**"); and
- (b) provide prior written notice to all Third Parties and Government Authorities in sufficient time to allow any Vendor Consents having an expiry period to expire (if not refused) prior to the Closing Date.

8.2 Rights of First Refusal

- (a) Within three (3) Business Days from the date hereof, the Purchaser, acting reasonably and in good faith, shall provide the Vendor with its allocated values for the Assets which are subject to Rights of First Refusal. Promptly after such allocations are provided to the Vendor, it shall send notices to the Persons (including the Purchaser, if applicable) holding such Rights of First Refusal in accordance with the Title and Operating Documents creating them, using such values provided by the Purchaser. The Vendor shall notify the Purchaser in writing forthwith upon receipt of notice from any Third Party exercising or waiving any ROFRs for which notices were issued. Purchaser shall be liable for and indemnify and save Vendor harmless from and against all Losses and Liabilities which the Vendor may suffer, sustain, pay or incur as a result of utilizing any value allocations supplied by the Purchaser.

- (b) Closing shall not be delayed even though certain Rights of First Refusal are outstanding and capable of exercise by the holders thereof as of the Closing Date (such ROFRs being referred to as "**Outstanding ROFRs**"). In such case, the following procedures shall apply:
 - (i) the Parties shall proceed to Closing without any reduction in the Purchase Price for the Outstanding ROFRs;
 - (ii) the Escrow Agent shall retain in escrow that portion of the Closing Payment allocated to the Assets subject to the Outstanding ROFRs (the "**Escrow Assets**") and all closing documentation and Specific Conveyances required for the sale of all Escrow Assets by Vendor;
 - (iii) if an Outstanding ROFR is exercised by a Third Party, the Parties will promptly notify the Escrow Agent thereof by written direction and:
 - (A) the funds deposited with the Escrow Agent in respect of such Escrow Assets will be refunded by the Escrow Agent to Purchaser together with the interest earned thereon while held by the Escrow Agent; and
 - (B) the closing documentation and Specific Conveyances related to such Escrow Assets deposited with the Escrow Agent will be of no force or effect;
 - (iv) if after Closing an Outstanding ROFR is extinguished by lapse of time, waiver or otherwise (other than as a result of being exercised), the Parties will promptly notify the Escrow Agent thereof by written direction and:
 - (A) the Escrow Agent will promptly pay the funds deposited with the Escrow Agent in respect of such Escrow Assets to Vendor together with the interest earned thereon while held by the Escrow Agent; and
 - (B) the Escrow Agent will promptly deliver copies of the closing documentation and Specific Conveyances deposited with the

Escrow Agent in relation to such Escrow Assets to each Party, such documentation shall be effective and the sale of such ROFR Assets to Purchaser pursuant hereto shall have closed.

ARTICLE 9 CONDITIONS PRECEDENT TO CLOSING

9.1 Vendor's Closing Conditions

The obligation of the Vendor to complete the sale of the Assets pursuant to this Agreement is subject to the satisfaction at or prior to the Closing Date of the following conditions precedent:

- (a) **Representations and Warranties True:** All representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects as of the date of this Agreement and as of the Closing Date, and the Vendor shall have received a certificate from an officer of the Purchaser substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (b) **Purchaser's Obligations:** The Purchaser shall have, in all material respects, timely performed and satisfied all obligations and covenants required by this Agreement to be performed and satisfied by the Purchaser on or prior to the Closing Date;
- (c) **Conveyance Documents:** The Purchaser shall have executed and delivered to the Vendor all Conveyance Documents required under Section 12.1(a) and the General Conveyance;
- (d) **Restrictions:** All Vendor Consents, as well as all necessary governmental and other regulatory approvals to the sale of the Assets that are required prior to Closing shall have been obtained without conditions;
- (e) **No Injunction:** There will not be any judicial restraining order or injunction, preliminary or otherwise, in effect prohibiting the Closing or the Transaction; and
- (f) **Court Approval:** The Court Approval shall have been obtained.

The foregoing conditions shall be for the benefit of the Vendor and may, without prejudice to any of the rights of the Vendor hereunder excluding reliance on or enforcement of any representations, warranties or covenants dealing with the subject of or similar to the condition waived, be waived by it in writing, in whole or in part, at any time, provided that the Vendor is not entitled to waive the Court Approval condition contained in Section 9.1(f). The Vendor shall proceed diligently and in good faith and use all commercially reasonable efforts to fulfill and assist in the fulfillment of the foregoing conditions in case any of the said conditions shall not be complied with, or waived by the Vendor, at or before the Closing Date, the Vendor may terminate this Agreement by written notice to the Purchaser and the Deposit shall be governed by Section 3.3.

9.2 Purchaser's Closing Conditions

The obligation of the Purchaser to complete the purchase of the Assets pursuant to this Agreement is subject to the satisfaction, at or prior to the Closing Date, of the following conditions precedent:

- (a) **Representations and Warranties True:** All representations and warranties of the Vendor contained in this Agreement shall be true in all material respects as of the date of this Agreement and as of the Closing Date, and the Purchaser shall have received a certificate from an officer of the Vendor substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (b) **Vendor's Obligations:** The Vendor shall have, in all material respects, timely performed and satisfied all obligations and covenants required by this Agreement to be performed and satisfied by the Vendor (and shall have caused the Debtor to perform and satisfy in a timely manner all of its obligations hereunder) on or prior to the Closing Date;
- (c) **Conveyance Documents:** The Vendor shall have executed and delivered to the Purchaser all Conveyance Documents required under Section 12.1(a) and the General Conveyance;
- (d) **Restrictions:** All Vendor Consents, as well as all necessary governmental and other regulatory approvals to the sale of the Assets that are required prior to Closing shall have been obtained without conditions;
- (e) **No Injunction:** There will not be any judicial restraining order or injunction, preliminary or otherwise, in effect prohibiting the Closing or the Transaction;
- (f) **Court Approval:** The Court Approval shall have been obtained;
- (g) **Section 12 Default:** The Section 12 Default has been fully remedied and the Vendor has provided an Alberta crown search for lease 004 0486010387 evidencing that the Section 12 Default has been removed; and
- (h) **AER Permit Transfers:** The Vendor shall have obtained the AER Pre-Approval or the AER shall have approved the Permit transfers in accordance with Section 3.4(a)(i).

The foregoing conditions shall be for the benefit of the Purchaser and may, without prejudice to any of the rights of the Purchaser hereunder (excluding reliance on or enforcement of any representations, warranties or covenants dealing with the subject of or similar to the condition waived), be waived by it by notice to the Vendor in writing, in whole or in part, at any time, provided that the Purchaser is not entitled to waive the Court Approval condition contained in Section 9.2(f). The Purchaser shall proceed diligently and in good faith and use all commercially reasonable efforts to fulfill and assist in the fulfillment of the foregoing conditions. In case any of the said conditions shall not be complied with, or waived by the Purchaser at or before the Closing Date, the Purchaser may terminate this Agreement by written notice to the Vendor and the Deposit shall be governed by Section 3.3.

9.3 Parties to Exercise Diligence and Good Faith with respect to Conditions

Each Party covenants to the other that it will proceed diligently, honestly, and in good faith, and use commercially reasonable efforts with respect to all matters within its reasonable control to satisfy its respective conditions in Sections 9.1 and 9.2.

ARTICLE 10 REPRESENTATIONS AND WARRANTIES

10.1 Vendor's Representations and Warranties

The Vendor hereby represents and warrants to the Purchaser that:

- (a) the Receiver has been appointed by the Court as receiver of the assets, properties and undertakings of the Debtor and such appointment is valid and subsists;
- (b) the Receiver, in its capacity as court-appointed receiver of the assets, properties and undertaking of the Debtor and not in its personal capacity, has good right, full power and absolute authority to enter into this Agreement and the other documents and agreements executed and delivered hereunder and to sell, assign, transfer, convey and set over the interest of the Debtor in and to the Assets, subject to the terms and conditions of the Receivership Order and the Court Approval;
- (c) neither the Receiver, the Vendor or the Debtor has incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of the Transaction for which the Purchaser shall have any obligations or liability;
- (d) neither the Receiver, the Vendor or the Debtor have, as at the date hereof, received notice of any Claims in existence, contemplated, pending or threatened against them seeking to prevent the consummation of the Transaction;
- (e) provided the Court Approval is obtained:
 - (i) this Agreement has been and all documents and agreements to be executed and delivered by the Vendor at Closing pursuant to this Agreement shall be, duly executed and delivered by it; and
 - (ii) upon execution by the Purchaser and the Vendor, this Agreement constitutes, and all documents and agreements required to be executed and delivered by the Vendor at Closing will constitute, legal, valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their respective terms, subject to the provisions of the Receivership Order and any other orders of the Court in the Receivership Proceedings, bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences;
- (f) provided the Court Approval is obtained, the Receiver, and excluding the Alberta Energy Regulator with respect to approval of the transfer of applicable well

licences and permits, is not aware that any authorization or approval or other action by, and no notice to or filing with, any Government Authority exercising jurisdiction over the Assets is required by them or on their behalf for the due execution and delivery of this Agreement;

- (g) provided the Court Approval is obtained, the Receiver, without making any inquiries, is not aware that consummation of the Transaction will constitute or result in a material violation, breach or default by the Debtor under any provision of any agreement or instrument to which the Debtor is a party or by which the Debtor is bound or any judgment, law, decree, order or ruling applicable to the Debtor;
- (h) the Debtor shall remain solely responsible for any and all obligations, commitments, penalties or other liabilities associated with the Maple Leaf Agreements, other than the obligation of Purchaser to pay the 3% gross overriding royalty on the certain Lands in accordance with Schedule A; and
- (i) the Debtor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

10.2 No Additional Representations and Warranties by the Vendor

- (a) Notwithstanding anything to the contrary in this Agreement, the Vendor makes no representations or warranties except as expressly set forth in Section 10.1 and in particular, and without limiting the generality of the foregoing, the Vendor disclaims and shall not be liable for any representation or warranty express or implied, of any kind, at law or in equity, which may have been made or alleged to be made in any instrument or document relative hereto, or in any statement or information made or communicated to the Purchaser in any manner including any opinion, information, or advice which may have been provided to the Purchaser by the Debtor, the Receiver or their Representatives in connection with the Assets or in relation to the Transaction. For greater certainty, the Vendor makes no representation or warranty, express or implied, of any kind, at law or in equity, with respect to:
 - (i) the accuracy or completeness of the Data Room Information or any other data or information supplied by the Vendor or the Debtor or any of its Representatives in connection with the Assets;
 - (ii) the quality, quantity or recoverability of any Petroleum Substances with or under the Lands;
 - (iii) the value of the Assets or any estimates of prices or future cash flows arising from the sale of any Petroleum Substances produced from or allocated to the Assets or the Lands or any estimates of other revenues or expenses attributable to the Assets;
 - (iv) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;

- (v) the ability of the Purchaser to obtain any necessary approval from any Government Authority in order for the Purchaser to operate the Assets;
- (vi) the quality, condition, fitness, suitability, serviceability or merchantability of any of the Tangibles; or
- (vii) the title of the Debtor to the Assets.

The Purchaser acknowledges and confirms that it is relying on its own investigations concerning the Assets and it has not relied on advice from the Vendor or any of its Representatives with respect to the matters specifically enumerated in the immediately preceding paragraphs in connection with the purchase of the Assets pursuant hereto. The Purchaser further acknowledges and agrees that it is acquiring the Assets on an "as is, where is" and "without recourse" basis. The Purchaser acknowledges and agrees that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, that the Vendor has provided the Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of the Purchaser (insofar as the Vendor could reasonably provide such access) and that the Purchaser is not relying upon any representation or warranty of the Vendor as to the condition, environmental or otherwise, of the Assets, except as expressly contained in Section 10.1 of this Agreement.

- (b) Except for its express rights under this Agreement and as expressly contained in Section 10.1 of this Agreement, the Purchaser hereby waives all rights and remedies (whether now existing or hereinafter arising and including all equitable, common law, tort, contractual and statutory rights and remedies) against the Vendor or Vendor Entity in respect of the Assets or the Transaction or any representations or statements made, direct or indirect, express or implied, or information or data furnished to the Purchaser or its Representatives, in connection herewith (whether made or furnished orally or by electronic, faxed, written or other means).

10.3 Purchaser's Representations and Warranties

The Purchaser hereby represents and warrants to the Vendor that:

- (a) it is and at the Closing Date shall continue to be a valid and subsisting corporation under the laws of its jurisdiction of registration and is authorized to carry out business in the jurisdiction where the Assets are located;
- (b) except for the Court Approval, it has taken all action and has full power and absolute authority to enter into this Agreement and the other documents and agreements executed and delivered hereunder and it has taken all necessary action to consummate the Transaction and to perform its obligations hereunder and the other documents and agreements executed and delivered hereunder;
- (c) it has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of the Transaction for which the Vendor or the Debtor shall have any obligations or liability;

- (d) it has not received notice of any Claims in existence, contemplated, pending or threatened against it seeking to prevent the consummation of the Transaction;
- (e) provided the Court Approval is obtained, this Agreement has been, and all documents and agreements to be executed and delivered by it at Closing pursuant to this Agreement shall be, duly executed and delivered by it, and upon execution by the Vendor and it, this Agreement constitutes, and all documents and agreements required to be executed and delivered by it at Closing will constitute legal, valid and binding obligations of it enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences;
- (f) to its knowledge, and provided that Court Approval is obtained, no authorization or approval or other action by, and no notice to or filing with, any Government Authority exercising jurisdiction over the Assets is required by it or on its behalf for the due execution and delivery of this Agreement;
- (g) provided the Court Approval is obtained, the consummation of the Transaction will not constitute or result in a material violation, breach or default by it under any provision of any agreement or instrument to which it is a party or by which is it bound or any judgment, law, decree, order or ruling applicable to it;
- (h) it is acquiring the Assets in its capacity as a principal and is not purchasing the Assets as agent or representative of any Third Party;
- (i) it has sufficient funds available to it to enable it to pay in full the Purchase Price to the Vendor as herein provided and otherwise to fully perform its obligations under this Agreement;
- (j) the Purchaser is not a non-resident of Canada for the purposes of the *Investment Canada Act* (Canada).

10.4 Enforcement of Representations and Warranties

- (a) Notwithstanding anything to the contrary herein expressed or implied and notwithstanding the Closing or deliveries of covenants and/or representations and warranties in any other agreements at Closing or prior or subsequent thereto, the representations and warranties set forth in Article 10 and all certificates, documents and agreements delivered pursuant to this Agreement shall survive Closing, provided that no Claim in respect of such representations and warranties shall be made or be enforceable unless written notice of such Claim, if provided by the Vendor to the Purchaser, is given within twelve (12) months of the Closing Date, and if provided by the Purchaser to the Vendor, is given within twelve (12) months of the Closing Date or before the Receiver is discharged by order of the Court, whichever is earlier. In respect of the Purchaser, effective on the expiry of such twelve (12) month period, the Vendor hereby releases and forever discharges the Purchaser from any breach of any representations and warranties set forth in Article 10 hereof and all certificates, documents and agreements delivered pursuant to this Agreement, except in respect of those Claims in which notice has been given in accordance with this

Section 10.4. In respect of the Vendor, effective on the expiry of such twelve (12) month period, or shorter period should the Receiver be discharged by order of the Court, the Purchaser hereby releases and forever discharges the Vendor from any breach of any representations and warranties set forth in Article 10 hereof and all certificates, documents and agreements delivered pursuant to this Agreement, except in respect of those Claims in which notice has been given in accordance with this Section 10.4. No Claim shall be made against a Party in respect of the representations and warranties in this Agreement made by the other Party except pursuant to and in accordance with this Section 10.4;

- (b) There shall not be any merger of any covenant, representation or warranty in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived; and
- (c) The representations and warranties of the Vendor and the Purchaser made herein or pursuant hereto are made for the exclusive benefit of the Purchaser or the Vendor, as the case may be, and are not transferable and may not be made the subject of any right of subrogation in favour of any other Person.

ARTICLE 11 CLOSING DELIVERIES

11.1 Vendor Closing Deliveries

At the Escrow Delivery Date, the Vendor shall table and deliver to the Escrow Agent the following:

- (a) a certified copy of the Court Approval;
- (b) a duly executed certificate of a senior officer of Vendor substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (c) a receipt for the Closing Payment duly executed by the Vendor;
- (d) the General Conveyance, fully executed by the Vendor; and
- (e) the Conveyance Documents, in accordance with Section 12.1(a), fully executed by the Vendor; and
- (f) such other items as may be specifically required hereunder or as may be reasonably requested by Purchaser.

11.2 Purchaser's Closing Deliveries

At the Escrow Delivery Date, Purchaser shall table and deliver to the Escrow Agent the following:

- (a) the Closing Payment;

- (b) a duly executed certificate of a senior officer of Purchaser substantially in the form attached hereto as Schedule "C" dated as of the Closing Date;
- (c) the General Conveyance, fully executed by Purchaser; and
- (d) the Conveyance Documents, in accordance with Section 12.1(a), fully executed by the Purchaser; and
- (e) such other items as may be specifically required hereunder or as may be reasonably requested by Vendor.

11.3 Deliveries

Vendor shall deliver or cause to be delivered to Purchaser within a reasonable period of time, but in any event, no later than 10 days following Closing, the original copies of the Title and Operating Documents and any other agreements and documents in its possession related to the Assets and the original copies of contracts, agreements, records, books, documents, licenses, reports and data included in the Miscellaneous Interests which are now in the possession of Vendor. Notwithstanding the foregoing, if and to the extent such contracts, agreements, records, books, documents, licenses, reports and data also pertain to a greater degree to interests other than the Assets, at Vendor's expense, photocopies or other copies may be provided to Purchaser in lieu of original copies.

ARTICLE 12 CONVEYANCES AND TRANSFER

12.1 Conveyances

- (a) The Vendor, at its own costs, shall prepare the Conveyances prior to closing and deliver the Conveyances to Purchaser at Closing. The Vendor shall not be required to have such documents signed by Third Parties at or before the Closing Date but shall cooperate with the Purchaser as reasonably required to secure execution of such documents by such Third Parties as soon as practicable thereafter. To the extent that Purchaser is required to execute any conveyances, it shall do so and promptly return to the Vendor at Closing. In respect of any Conveyances that require execution by Third Parties, promptly after, and, if necessary, the execution of such Specific Conveyances by Purchaser, Vendor shall co-operate with Purchaser and provide all reasonable assistance that Purchaser may reasonably request in connection with Purchaser's procurement of the execution of such Conveyances by Third Parties wherever required. The Parties agree that certain assignments may be in the form of electronic transfers including AER well license transfers and agree that such assignments will be completed on the Closing Date.
- (b) Notwithstanding the assignment of the Maple Leaf Agreements, for greater certainty the Purchaser will not be responsible for any obligations, commitments, penalties or other liabilities associated with such agreements, with the sole exception of the obligation to pay a 3% gross overriding royalty on the certain Lands in accordance with Schedule A, attached hereto.

- (c) The Purchaser shall promptly register in the applicable registry all registrable transfers and conveyances of its interests in the Assets and the Vendor shall make application to all applicable Government Authorities to change the recorded name of all Wells and Tangibles forming part of the Assets. Except as otherwise expressly stated herein, all costs, fees and deposits of every nature and kind incurred in distributing and registering any Conveyance Document and in providing any assurances or security required to convey, transfer and assign the Assets to Purchaser, and to have Purchaser recognized as the holder thereof shall be borne by the Purchaser. In the event that Vendor has incurred any Third Party or out of pocket expenses or fees as a result of the cost of distribution and registration of any Conveyances, such amounts shall be adjusted between the Parties in the Final Statement of Adjustments.

12.2 License and Authorization Transfers

- (a) If, for any reason, the AER or any other Government Authority or any other Third Party requires either Party (hereinafter referred to as "**Such Party**" in this Section) to provide any undertakings, information or other documentation as a condition of or a prerequisite for the approval of the transfer of any Permits or the transfer or assignment of any of the Assets to Purchaser, immediately after receiving notice of such requirements and at its sole cost, Such Party shall provide such undertakings, information or other documentation, as the case may be.
- (b) On the Closing Date, the Vendor shall prepare and electronically submit an application to the relevant Government Authority for the transfer of any Wells and any Tangibles held in the name of the Debtor and the Purchaser shall promptly execute and return such applications to such Vendor for registration in accordance with Section 12.1(c); and
- (c) Should the relevant Government Authority deny any license transfer because of misdescription or other minor deficiencies in the application, the Vendor shall, within two (2) Business Days, correct the application and amend and re-submit an application for the license transfers and the Purchaser shall electronically ratify and sign such application.

ARTICLE 13 LIABILITIES AND INDEMNITIES

13.1 Purchaser's Indemnity

If Closing occurs the Purchaser shall, subject to Sections 10.4(a) and 13.5, without any further necessary action on the part of the Vendor or the Purchaser:

- (a) be liable to the Vendor for; and
- (b) as a separate covenant, save and hold harmless and indemnify the Vendor and each other Vendor Entity from and against;

all Losses and Liabilities suffered, sustained, paid or incurred by any of them as a consequence of any representations or warranties contained in Section 10.3 being untrue or incorrect or of a

breach by Purchaser of any of its covenants contained in this Agreement that are to be performed or complied with at or prior to the Closing Date, provided that Purchaser shall have no liability under the foregoing assumption of liability and indemnity provided for in this Section 13.1 for any such Losses and Liabilities or Claims in respect of which Vendor, absent fraud, has not provided written notice thereof in reasonable detail to Purchaser within the 12-month period immediately following Closing.

13.2 Future Obligations

If Closing occurs, the Purchaser shall be liable for all Losses and Liabilities suffered, sustained, paid or incurred by Vendor or any Vendor Entity, and, in addition and as an independent covenant, shall defend, indemnify and save harmless Vendor and each of the Vendor Entity's from and against all Losses and Liabilities suffered, sustained, paid or incurred by it and all Claims made against it; which, in either case, arise out of any matter or thing occurring, accruing or arising on and after the Effective Time and which relates to the Assets (excluding any Losses and Liabilities or Claims that pertain to any Environmental Liabilities, which shall be dealt with under Section 13.3).

13.3 Environmental Indemnity

- (a) The Purchaser acknowledges that it:
 - (i) is familiar with the condition of the Assets, including the past and present use of the Assets, and it has been provided with the right and the opportunity to conduct due diligence investigations with respect to existing or potential Environmental Liabilities pertaining to the Assets; and
 - (ii) is not relying upon any representation or warranty of the Vendor as to the condition, environmental or otherwise, of the Assets except as outlined in Section 10.1.
- (b) The Purchaser agrees that once Closing has occurred the Vendor shall have no liability whatsoever for any Environmental Liabilities. In this regard, once Closing has occurred, the Purchaser shall, without any further necessary action on the part of the Vendor or the Purchaser:
 - (i) be solely liable and responsible for all of the Vendor's Losses and Liabilities; and
 - (ii) as a separate covenant, indemnify, save and hold the Vendor, the Debtor and each other Vendor Entity, harmless from and against all Losses and Liabilities that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a result of any act, omission, matter or thing related to any Environmental Liabilities arising, however and whenever arising or occurring, and the Purchaser shall assume, perform, pay and discharge all Environmental Liabilities. This liability and indemnity shall apply without limit and without regard to cause or causes, including the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of the Vendor or the Purchaser or any other person or otherwise. The Purchaser acknowledges

and agrees that it shall not be entitled to any rights or remedies as against the Vendor, Debtor or any Vendor Entity under the common law or statute pertaining to any Environmental Liabilities, including the right to name the Vendor, Debtor or any Vendor Entity as a 'third party' to any action commenced by any Person against the Purchaser. The Purchaser's indemnity obligation set forth in this Section 13.3(b) shall survive the Closing Date indefinitely.

13.4 No Merger

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

13.5 Limitations

From and after Closing the sole remedy available to Vendor in respect to any of Purchaser's representations and warranties set forth in Section 10.3 being untrue or incorrect or a breach by Purchaser of any of its covenants in this Agreement that are to be performed prior to or at the Closing Time shall be Purchaser's assumption of liability and indemnity provided in Section 13.1 and Vendor hereby releases and waives any and all other Claims or any other remedy or relief that it has or hereafter may have in this regard, whether arising at law, in equity or otherwise.

13.6 Holding of Indemnities

- (a) The Vendor will hold the indemnities contained in this Article 13 in trust on behalf of all of the other Vendor Entities and may enforce the same on their behalf.
- (b) The Purchaser will hold the indemnities contained in this Article 13 in trust on behalf of all of the other Purchaser Entities and may enforce the same on their behalf.

ARTICLE 14 TERMINATION

14.1 Grounds for Termination

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

- (a) by mutual written agreement of the Vendor and the Purchaser;
- (b) by either the Vendor or the Purchaser pursuant to the provisions of Sections 9.1 or 9.2, as applicable; or
- (c) pursuant to Section 3.4(a)(iii).

14.2 Effect of Termination

If this Agreement is terminated by the Vendor or the Purchaser as permitted under Section 14.1, then Article 15 and Section 20.2 shall remain in full force and effect following any such permitted termination.

ARTICLE 15 CONFIDENTIALITY, PUBLIC ANNOUNCEMENTS AND SIGNS

15.1 Confidentiality

Each Party agrees to keep in strict confidence:

- (a) subject to Section 15.2, all information regarding the terms of this Agreement; and
- (b) any information exchanged or received in connection with:
 - (i) the performance of due diligence by the Purchaser prior to or after the date hereof (including due diligence conducted under or in connection with this Agreement); or
 - (ii) negotiation or drafting of this Agreement;

provided that, except as otherwise agreed by the Parties, a Party shall be entitled to disclose all information as may be required or desirable in connection with obtaining the Court Approval. The Parties agree that this Agreement shall be filed with the Court on a confidential basis such that the Deposit, Purchase Price, Purchase Price allocation and such other sensitive terms as the Parties may agree shall be sealed, kept confidential and not form part of the public record, and that the Receiver shall seek a sealing order to that effect in respect of this Agreement. If this Agreement is terminated, each Party upon request will promptly return to the other Party all documents, contracts, records or other information received by it that disclose or embody confidential information of the other Party.

In addition to the foregoing, the Purchaser shall continue to be bound by the Non-disclosure Agreement dated October 1, 2015 in accordance with the terms thereof.

15.2 Public Announcements

- (a) If a Party intends to issue a press release or other public disclosure of this Agreement, the terms hereof or the Transaction post-Closing, the disclosing Party shall provide the other Party with an advance copy of any such press release or other public disclosure with sufficient time to enable the other Party to review such press release or other public disclosure and provide its written consent to such press release or other public disclosure, not to be unreasonably withheld.
- (b) Notwithstanding Section 15.1 or 15.2(a), a Party may release or provide information about the Transaction insofar as is required by Applicable Laws (including as may be required to obtain Court Approval) or stock exchange requirements applicable to the disclosing Party; provided that such disclosing

Party shall make reasonable commercial efforts to provide the other Party with the details of the nature and substance of such required disclosure as soon as practicable and in any event prior to such disclosure. A Party may provide information about the Transaction to a bank or other financial institution to obtain financing on any required consent of the bank or other financial lender of such Party. A Party may also disclose such information pertaining to this Agreement, including the identity of the Parties, insofar as is required to enable such Party to fulfil its obligations under this Agreement, including obtaining any approvals or consents to the Transaction required from Government Authorities (including Court Approval) or Third Parties.

15.3 Signs

Within one hundred and eighty (180) days following the Closing Date, the Purchaser shall remove the names of the Vendor, the Debtor and predecessors from all signs located at or near the Wells or any Tangibles. If the Purchaser fails to comply with the foregoing, the Vendor shall have the right, at its discretion, to remove its name as aforesaid and the Purchaser shall be responsible for and shall reimburse such Vendor for all reasonable costs incurred by such Vendor in so doing.

ARTICLE 16 GOVERNING LAW AND DISPUTE RESOLUTION

16.1 Governing Law

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta and to the laws of Canada applicable therein.

16.2 Resolution of Disputes

- (a) Subject to Section 4.2(c), each Party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Court, and waives any defences it might have regarding jurisdiction in any action or proceeding arising out of or relating to this Agreement or any ancillary agreement to which it is a Party, or for recognition or enforcement of any judgment in respect thereof, and each Party hereto hereby irrevocably and unconditionally agrees that all Claims in respect of any such action or proceeding may be heard and determined by the Court.
- (b) Subject to Section 4.2(c), each Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any ancillary agreement to which it is a Party in any court of competent jurisdiction in the Province of Alberta. Each of the Parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defence of an inconvenient forum to the maintenance of such action or proceeding in any such court.

ARTICLE 17 NOTICES

17.1 Service of Notices

The addresses for service of the Parties shall be as follows:

the Purchaser: BONAVISTA ENERGY CORPORATION
1500, 525-8th Avenue SW
Calgary, AB T2P 1G1

Attention: Land Department
Email: bruce.jensen@bonavistaenergy.com

the Vendor: FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal capacity.

Suite 720, 440 - 2nd Avenue SW
Calgary, Alberta T2P 5E9

Attention: Deryck Helkaa/Brett Wilson
Email: Deryck.Helkaa@fticonsulting.com /
Brett.Wilson@fticonsulting.com
Fax: 403- 444-6758

with a copy to: Ryan Zahara
Legal counsel to the Receiver
Blake, Cassels & Graydon LLP
#3500, 855 – 2nd Street SW
Calgary, AB T2P 4J8

Email: ryan.zahara@blakes.com
Fax: 403-260-9700

Any of the Parties may from time to time change its address for service herein by giving written notice to the other. Any notice may be served by personal service upon the above person specified by a Party, or if no person is specified, upon any officer of a Party, by mailing the same by prepaid post in a properly addressed envelope addressed to the Party at its respective address for service hereunder, or by email to such Party at the email address specified hereunder. Any notice personally served upon an office or the person specified by a Party, as the case may be, shall be deemed to be given on the date of such service, any notice served by mail shall be deemed to be given to and received by the addressee on the fourth Business Day, after the mailing thereof and any notice given by email shall be deemed to be given and received on the day when it is sent, if it is sent during normal business hours (8:00 a.m. to 4:00 p.m.) and, otherwise, on the next following normal Business Day. No notices shall be

served by mail during times of interruption or threat of interruption of mail service due to strikes, lockout or other causes.

ARTICLE 18 PERSONAL INFORMATION

18.1 Personal Information

The Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to the Purchaser or otherwise obtained by the Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates or as otherwise permitted or authorized by Applicable Law. The Purchaser's obligations set forth in this Section 18.1 shall survive the Closing Date indefinitely.

ARTICLE 19 ASSIGNMENT

19.1 Assignment

- (a) Neither Party may assign their interest in or under this Agreement or to the Assets prior to Closing without the prior written consent of the other Party, which consent may be withheld in such other Party's sole and unfettered discretion.
- (b) No assignment, transfer, or other disposition of this Agreement or the Assets or any portion of the Assets shall relieve the Purchaser from its obligations to the Vendor herein. The Vendor shall have the option to claim performance or payment of the obligations from the Purchaser or the assignee or transferee, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle the Vendor to receive duplicate performance or payment of the same obligation.

ARTICLE 20 MISCELLANEOUS

20.1 Remedies Cumulative

No failure on the part of any Party to exercise any right or remedy will operate as a waiver thereof. A Party will not be precluded from exercising any right available to it at law, equity or by statute because of its exercise of any single or partial right, and a Party may exercise any such remedies independently or in combination.

20.2 Costs

Except as otherwise specified in this Agreement, each Party shall pay its respective costs incurred in connection with the preparation, negotiation and execution of this Agreement and the consummation of the Transaction.

20.3 No Waiver

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

20.4 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and the Parties agree and confirm that this Agreement cancels and supersedes any prior understandings and agreements between the Parties hereto with respect to the subject matter hereof, but expressly excluding the Non-disclosure Agreement dated July 23rd, 2015 and the Receiver's confidentiality terms set forth in the letter dated September 28, 2015 from Osler, Hoskin & Harcourt LLP and accepted by Blake, Cassels & Graydon LLP, as solicitors for the Receiver, which shall continue to apply in accordance with their terms. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties.

20.5 Further Assurances

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

20.6 Time of the Essence

Time shall be of the essence in this Agreement.

20.7 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective heirs, executors, successors and permitted assigns.

20.8 Severability

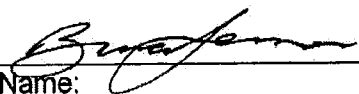
In the case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

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

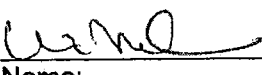
WALDRON ENERGY CORPORATION by and through its court-appointed receiver **FTI CONSULTING CANADA INC.**, in its capacity as court-appointed receiver of the assets, properties and undertaking of **Waldron Energy Corporation**, and not in its personal or corporate capacity

BONAVISTA ENERGY CORPORATION

Per: _____
Name:
Title:

Per: 
Name: _____
Title: **Bruce Jensen**
Chief Operating Officer

Per: _____
Name:
Title:

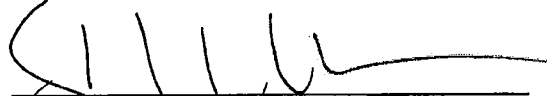
Per: 
Name: _____
Title: **Wayne Merkel**
Vice President, Exploration

This is the execution page to the Asset Purchase Agreement dated as of August 15, 2016 between Waldron Energy Corporation, by and through its court-appointed receiver FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal or corporate capacity, and Bonavista Energy Corporation

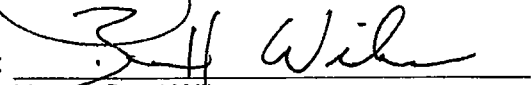
IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written

WALDRON ENERGY CORPORATION by and through its court-appointed receiver **FTI CONSULTING CANADA INC.**, in its capacity as court-appointed receiver of the assets, properties and undertaking of Waldron Energy Corporation, and not in its personal or corporate capacity

BONAVISTA ENERGY CORPORATION

Per: 
Name: Deryck Helkaa
Title: Senior Managing Director

Per: _____
Name:
Title:

Per: 
Name: Brett Wilson
Title: Senior Consultant

Per: _____
Name:
Title:

This is the execution page to the Asset Purchase Agreement dated as of August 15, 2016 between Waldron Energy Corporation, by and through its court-appointed receiver FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal or corporate capacity, and Bonavista Energy Corporation

SCHEDULE "A"

Attached to and made a part of that Asset Purchase Agreement dated as of August 15, 2016.

Part 1 - Lands, Leases and Permits

(see attached)

Part 2 –Wells

(refer to Part 1 – Lands, Leases and Permits)

Part 3 – Petroleum and Natural Gas Rights
(refer to Part 1 – Lands, Leases and Permits)

Part 4 – Facilities

(see attached)

Part 5 – Other Assets

Nil

SCHEDULE "B"
GENERAL CONVEYANCE

Attached to and made part of that Asset Purchase Agreement dated as of August 15, 2016.

GENERAL CONVEYANCE

This General Conveyance made this • day of •, 2016.

BETWEEN:

WALDRON ENERGY CORPORATION ("Waldron" or the **"Debtor")** by and through its court-appointed receiver, **FTI CONSULTING CANADA INC.**, (the **"Receiver"**) in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal capacity (the **"Vendor"**)

- and -

BONAVISTA ENERGY CORPORATION, a body corporate, having an office in the City of Calgary in the Province of Alberta (the **"Purchaser"**)

WHEREAS the Vendor and the Purchaser entered into that Asset Purchase Agreement dated [INSERT DATE] (the **"Agreement"**);

AND WHEREAS the Vendor has agreed to sell and convey the Debtor's entire right, title, estate and interest in the Assets to the Purchaser and the Purchaser has agreed to purchase and accept all of the Debtor's rights, title, estate and interest in and to the Assets in accordance with the terms and conditions contained in the Agreement;

NOW THEREFORE in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties hereto covenant and agree as follows:

1. Definitions

All capitalized terms not defined herein shall have the same meaning as set out in the Agreement.

2. Closing

The Vendor and the Purchaser each hereby certify that it has performed and satisfied all agreements and obligations that it was required to perform or satisfy pursuant to the Agreement on or prior to the date hereof, that the representations and warranties made by it as contained in the Agreement are true in all material respects at and as of the Effective Time and the Closing Date, that all closing conditions in its favour have either been satisfied or are hereby waived, and Closing is hereby completed.

3. "As is, Where is" Basis

The Assets are being purchased by the Purchaser on an "as is, where is" and "without recourse" basis and without representation or warranty of any nature, kind or description by the Vendor or its directors, officers, employees, agents or counsel other than provided for in the Agreement. Without limiting the generality of the foregoing, the Vendor makes no representation or warranty with respect to (a) the value of the Assets, (b) the quality or condition of the Assets or (c) the Debtor's compliance with any Applicable Laws pertaining to the Assets. The covenants, representations and warranties contained in the Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall not be any merger of any covenant, representation or warranty contained in the Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

4. Conveyance

The Vendor, for the consideration provided for in the Agreement, the receipt and sufficiency of which is acknowledged by the Vendor, hereby sells, assigns, transfers and conveys the entire right, title, benefit and interest of the Debtor (whether absolute or contingent, legal or beneficial) in and to the Assets to the Purchaser, its successors and assigns, and the Purchaser purchases and accepts such interests from the Vendor, TO HAVE AND TO HOLD the same absolutely, subject to the terms of the Agreement, the Permitted Encumbrances and compliance with the terms of the Leases and all other Title and Operating Documents.

5. Effective Time

This General Conveyance and the transfer of title to and possession of the Debtor's interest in and to the Assets will, subject to the terms of the Agreement, be effective as of the Closing Date.

6. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Agreement for the purposes of the provisions of the Agreement, and the terms hereof shall be read on conjunction with the terms of the Agreement. If there is a conflict between the provisions of the Agreement and this General Conveyance, the provisions of the Agreement shall prevail to the extent of the conflict.

7. Enurement

This General Conveyance enures to the benefit of and is binding upon the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

8. Further Assurances

Each Party shall, after the date of this General Conveyance, at the request of the other Party and without further consideration, do all further acts and execute and deliver all

further documents which are reasonably required to perform and carry out the terms of this General Conveyance.

9. Governing Law

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

IN WITNESS WHEREOF the Parties have duly executed this General Conveyance.

WALDRON ENERGY CORPORATION by and through its court-appointed receiver **FTI CONSULTING CANADA INC.**, in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal or corporate capacity

BONAVISTA ENERGY CORPORATION

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "C"
OFFICER'S CERTIFICATE

Attached to and made part of that Asset Purchase Agreement dated as of August 15, 2016.

PURCHASER'S OFFICER'S CERTIFICATE

Re: Section 9.1(a) of the Asset Purchase Agreement ("**Agreement**") dated as of August •, 2016, between FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal capacity as the Vendor and Bonavista Energy Corporation as the Purchaser.

Unless otherwise stated, the definitions provided for in the Agreement are adopted in this Certificate.

I, [•], [Insert Position], hereby certify on behalf of the Purchaser and not in any personal capacity that:

1. Each of the representations and warranties of the Purchaser contained in Section 10.3 of the Agreement is true and correct in all material respects as of the Closing Date.
2. All Closing conditions for the benefit of the Purchaser, pursuant to Section 9.2 of the Agreement, have been satisfied or waived.
3. This Certificate is made for and on behalf of the Purchaser and is binding upon it, and I am not incurring and will not incur any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the Vendor is relying on the same for the Closing of the Transaction.

Dated this • day of •, 2016.

BONAVISTA ENERGY CORPORATION

Per: _____
Name: _____
Title: _____

VENDOR'S OFFICER'S CERTIFICATE

Re: Section 9.2(a) of the Asset Purchase Agreement ("**Agreement**") dated as of August •, 2016, between FTI Consulting Canada Inc., in its capacity as court-appointed receiver of the assets, properties and undertakings of Waldron Energy Corporation, and not in its personal capacity as the Vendor and Bonavista Energy Corporation as the Purchaser.

Unless otherwise stated, the definitions provided for in the Agreement are adopted in this Certificate.

I, [•], [**Insert Position**], hereby certify on behalf of the Vendor and not in any personal capacity that:

5. Each of the representations and warranties of the Vendor contained in Section 10.1 of the Agreement is true and correct in all material respects as of the Closing Date.
6. All Closing conditions for the benefit of the Purchaser, pursuant to Section 9.1 of the Agreement, have been satisfied or waived.
7. This Certificate is made for and on behalf of the Purchaser and is binding upon it, and I am not incurring and will not incur any personal liability whatsoever with respect to it.
8. This Certificate is made with full knowledge that the Vendor is relying on the same for the Closing of the Transaction.

Dated this • day of •, 2016.

WALDRON ENERGY CORPORATION by
and through its court-appointed receiver
FTI CONSULTING CANADA INC., in its
capacity as court-appointed receiver of the
assets, properties and undertakings of
Waldron Energy Corporation, and not in its
personal or corporate capacity

Per: _____
Name:
Title:

SCHEDULE "D"
FORM OF COURT ORDER

Attached to and made part of that Asset Purchase Agreement dated as of August •, 2016

(see attached)

SCHEDULE "E"
ROFRs

Attached to and made part of that Asset Purchase Agreement dated as of August 15, 2016.

Contract Name	Contract Date	Lands	Rights	ROFR Terms
Pooling, Farmout and Participation Agreement	December 19, 2003	TWP 43 RGE 27 W4M S17	NG in Mannville	CAPL 1990 30 day ROFR

SCHEDULE "F"
Material Contracts

Attached to and made part of that Asset Purchase Agreement dated as of August 15, 2016.

Nil.