

Clerk's stamp:

COURT FILE NUMBER	1601-02201
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	BANK OF MONTREAL
RESPONDENTS	BUMPER DEVELOPMENT CORPORATION LTD. and BUMPER DEVELOPMENT CORPORATION
DOCUMENT	<u>AFFIDAVIT</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Karen Fellowes. DLA Piper (Canada) LLP Barristers and Solicitors 1000 250 2 St. S.W. Calgary, AB T2P 0C1 Phone: 403-698-8787 Fax: 403-776-8864 File No.: 16213-00001

AFFIDAVIT OF PHIL PETERSON
Sworn on JUNE 17, 2016

I, **PHIL PETERSON**, of Calgary, Alberta, ~~SWEAR~~^{*sw*} ~~AFFIRM~~ THAT:

1. I am the Chief Financial Officer of Canstone Energy Ltd. ("Canstone") and have personal knowledge of the following information, except where I state that it is based on information from another person, in which case, I believe that information to be true.
2. The history of Canstone's dealings with Bumper Development Corporation Ltd. ("Bumper") is as follows:
 - (a) In June of 2015, Canstone agreed to finance a \$3.5 million deposit ("the Deposit") on behalf of Luxxoil Canada Ltd. ("Luxxoil") for the purchase and sale of certain

shallow gas assets owned by Bumper and located in Twining, Alberta (“the Twining Assets”);

- (b) Luxxoil had already entered into a Purchase and Sale Agreement with Bumper to purchase the Twining Assets for \$35 million (“the Luxxoil PSA”);
 - (c) Canstone placed the Deposit in trust with the law firm of Gowlings;
 - (d) Luxxoil failed to close the Luxxoil PSA;
 - (e) A dispute arose with respect to the Deposit, following which Canstone entered into negotiations with Bumper with respect to purchasing the Twining Assets;
 - (f) Canstone agreed to purchase the Twining Assets for \$35 million, on condition that the Deposit be credited to the purchase price.
3. By an agreement in writing dated August 26, 2015, Canstone agreed to purchase the Twining Assets from Bumper, with an effective date of June 1, 2015, and a closing date of September 30, 2015 (“the Canstone PSA”). A true copy of the Canstone PSA (without exhibits) is attached and marked as Exhibit “A” to this affidavit.
 4. The Canstone PSA incorporates by reference the CAPL Property Transfer Procedure (“the CAPL Provisions”), and certain representations and warranties were given as a result of the election in Schedule B of the Canstone PSA. A true copy of Schedule B of the Canstone PSA is attached and marked as Exhibit “B” to this affidavit.
 5. The CAPL Provisions and the reps and warranties contained therein are attached and marked as Exhibit “C” to this affidavit.
 6. As part of the due diligence process, our counsel was made aware of the existence of the Bank of Montreal’s security interest registration against all of Bumper’s assets, including the Twining Assets, at the Alberta Personal Property Registry and Alberta Mines and Minerals.
 7. I am advised by cur counsel, Brian Bidyk at DLA Piper Canada LLP, that he contacted counsel for Bank of Montreal (Robyn Gurofsky at Borden Ladner Gervais) and

requested, as a condition of closing the Canstone PSA, a No Interest Letter from the Bank of Montreal with respect to the Twining Assets (“the No Interest Letter”).

8. Between September 16 and September 30, 2015, I am advised that our counsel and counsel for the Bank of Montreal had several telephone conversations and emails with respect to the No Interest Letter. The Bank of Montreal did provide a No Interest Letter upon closing of the Canstone PSA. A true copy of the No Interest Letter is attached and marked as Exhibit “D” to this affidavit.
9. The No Interest Letter specifically releases the Bank of Montreal’s claims against “the Assets” as defined in the Canstone PSA and the CAPL Provisions.
10. I have read the affidavit of Kinsley McWhinnie a representative of the Bank of Montreal dated February 11, 2016, filed in support of the Receivership Application, which reveals the following:
 - (a) Bumper went into default with the Bank of Montreal in the summer of 2015. It entered into the first forbearance agreement on June 20, 2015, and signed a consent receivership order on the same date. A condition of the first forbearance was the closing of the Luxxoil PSA on or before July 30, 2015;
 - (b) A second forbearance agreement (the first amendment) was signed on July 29, 2015, in anticipation of closing the Luxxoil PSA the next day;
 - (c) A third forbearance agreement (the second amendment) was signed on August 6, 2015, conditional upon the delivery by Bumper to Bank of Montreal of \$3.5 million (net of costs) from sale proceeds from the Luxxoil PSA;
 - (d) A fourth forbearance agreement (the third amendment) was signed on August 27, 2015, granting a further one week extension;
 - (e) A fifth forbearance agreement (the fourth amendment) was signed on September 3, 2015, granting a further one week extension, conditional upon the Canstone PSA not being terminated within that week;

- (f) A sixth forbearance agreement (the fifth amendment) was signed on September 11, 2015, granting an extension to October 2, 2015.
11. To the best of my knowledge, at no time during the term of these six forbearance agreements was Canstone made aware that Bumper had received a default notice from the Bank of Montreal, and was operating under the terms of many short-term forbearance agreements, some of which were conditional upon certain transactions and payments occurring.
 12. To the best of my knowledge, at no time during the term of these six forbearance agreements was Canstone made aware that Bumper had signed a consent receivership order on or about June 30, 2015 in favour of the Bank of Montreal, which would allow the Bank of Montreal to appoint a Receiver over all its assets and undertakings, including the Twining Assets or any net production revenue relating thereto.
 13. In accordance with the Canstone PSA, Bumper gave a representation and warranty to the effect that there were no lawsuits or claims “in existence, contemplated or threatened with respect to the Assets or its interest therein” and to its knowledge “no particular circumstance exists that it reasonably believes will give rise to such a claim, proceeding, action or lawsuit that would have a material adverse effect on the aggregate value of the Assets”.
 14. Canstone relied on the representation set out above, and on the No Interest Letter, and the failure of Bank of Montreal to disclose the default, forbearance and consent receivership order. I was the person primarily responsible for negotiating the Canstone PSA. If Canstone had been aware of the Bank of Montreal’s default notice, forbearance agreement and consent receivership order, it would have negotiated different terms for the Canstone PSA. In particular, it would have taken steps to protect itself with respect to payments arising from the 4 month adjustment period for production revenue arising from the Twining Assets (“the Adjustment Period”). For example, it could have made arrangements for funds to be held back, or put in trust, to cover off the payments arising from the lengthy Adjustment Period.

15. The length of the Adjustment Period resulted in a \$121,000 payable owing to Canstone from Bumper ("the Canstone Adjustment Funds"). Bumper provided the statement of adjustments to Canstone on or about February 16, 2106. Bumper went into receivership the same day. A true copy of the statement of adjustments is attached as Exhibit "E" to this affidavit ("the Statement of Adjustments").
16. The Statement of Adjustments reveals that during the Adjustment Period, revenue of approximately \$2.5 million flowed from the Twining Assets.
17. I have reviewed the Receiver's First Report, which indicates that at the time the Receivership Order was granted, Bumper had cash on hand of approximately \$595,000.
18. Immediately after the Receivership Order was granted, Canstone requested from the Receiver the payment of the Canstone Adjustment Funds. To-date, the Receiver has refused to deliver the Canstone Adjustment Funds and the Bank of Montreal has refused to release its security interest in those funds.
19. I make this affidavit in support of an application for release by the Receiver of the Canstone Adjustment Funds, and for no other or improper purpose.

KLF
SWORN/~~AFFIRMED~~ BEFORE ME
on June 17, 20 16
at Calgary, Alberta.

KLF

Commissioner for Oaths
in and for the Province of Alberta

**Karen L. Fellowes
Barrister and Solicitor
Notary Public
Province of Alberta**

} *PHIL PETERSON*

PHIL PETERSON

THIS IS EXHIBIT " A " referred to in the Affidavit of Phil Peterson Sworn before me this 17 day of JUNE A.D. 2016

**PURCHASE AND SALE AGREEMENT
TWINING, ALBERTA**

THIS AGREEMENT made as of the 26th day of August, 2015

BETWEEN:

[Signature]
A Commissioner of the Court of Queen's Bench
in and for the Province of Alberta
Banister and Schleiter
Notary Public
Province of Alberta

BUMPER DEVELOPMENT CORPORATION LTD., a body corporate, having an office in the City of Calgary, in the Province of Alberta

(hereinafter referred to as "Vendor" or the "Transferor")

- and -

CANSTONE ENERGY LTD., a body corporate, having an office in the City of Calgary, in the Province of Alberta

(hereinafter referred to as "Purchaser" or the "Transferee")

WHEREAS the Vendor and the Purchaser entered into an Offer to Purchase Letter Agreement dated August 11, 2015 for the purchase of Oil and Gas Assets in the Twining Area, Alberta; and

WHEREAS the Vendor wishes to sell and the Purchaser wishes to purchase the Assets, in accordance with the following terms and conditions, and the Parties hereto agree as follows:

1. DEFINITIONS

Each capitalized term used in this Head Agreement will have the meaning given to it in the 2000 CAPL Property Transfer Procedure ("Property Transfer Procedure") and the provisions of Clause 1.03 and Article 18.00 of the Property Transfer Procedure shall apply mutatis mutandis. In addition:

- (a) "Affected Asset" has the meaning ascribed to it in Clause 5.2;
- (b) "Closing Date" means 10:00 am on the 30th day of September, 2015 or such other time and date as may be agreed upon in writing by the Parties;
- (c) "Deposit" has the meaning ascribed to it in Clause 4;
- (d) "Effective Date" means 8:00 a.m. on the 1st day of June, 2015; and
- (e) "Environmental Defect" means any Environmental Liabilities relating to the Assets or arising from operations in respect thereof (whether affecting the Lands or other lands) that is attributable to the period of time before the Closing Date but excludes in all cases Abandonment and Reclamation Obligations or remediation obligations to the extent normally associated with similar tangible assets which have been operated in accordance with good oilfield practice;
- (f) "Non-refundable Deposit" has the meaning ascribed to it in Clause 4; and
- (g) "Remaining Environmental Defects" has the meaning ascribed to it in Clause 5.6.

2. SCHEDULES

The following Schedules are attached hereto and made part of this Agreement:

- (a) Schedule "A", which is the Land Schedule and identifies: (i) the Lands; (ii) the Leases; (iii) any other agreements, documents or data that are to be excluded from the Miscellaneous Interests under that definition; (iv) any encumbrances, Rights of First Refusal, production sale agreements, other agreements or penalties required to be included in the Land Schedule under the definition of Permitted Encumbrances or the definition of Title and Operating Documents; (v) any Facilities required to be included in the Land Schedule under the definition of Facilities, any other Tangibles described in Paragraph (c) of the definition of Tangibles and any assets otherwise falling within the definition of Tangibles that are specifically excluded therefrom; and (vii) the Wells;
- (b) Schedule "B" which is the Elections and Modifications Form to the Property Transfer Procedure;
- (c) Schedule "C" which is the Property Transfer Procedure, including the Exhibit thereto that is the form of the General Conveyance; and
- (d) Schedule "D" which is the form of the Officer's Certificate.

3. PURCHASE AND SALE

The Purchaser agrees to purchase the Assets from the Vendor and the Vendor agrees to sell the Assets to the Purchaser on the terms and conditions set forth in this Head Agreement. Subject to the modifications that may be made under the Property Transfer Procedure, the consideration payable by the Purchaser to the Vendor for the Assets is Thirty Five Million Dollars (\$35,000,000.00) allocated among the Assets as follows:

(a)	To Petroleum and Natural Gas Rights	\$ 26,249,999.25 (75%)
(b)	To Tangibles (exclusive of GST)	\$ 8,749,989.75 (25% less \$10.00)
(c)	To Miscellaneous Interests	\$ 10.00
	TOTAL:	\$ 35,000,000.00 =====

4. The Non-refundable Deposit, the Deposit and Payments at Closing

The Parties acknowledge that the Purchaser has previously paid to the Vendor a non-refundable deposit in the amount of \$3,500,000 (the "**Non-refundable Deposit**"). In the event that Closing occurs, an amount equal to the Non-refundable Deposit shall be credited towards the Purchase Price. If Closing does not occur for any reason whatsoever, the Non-refundable Deposit shall be retained by Vendor.

In addition, concurrent with the execution hereof, the Purchaser shall pay to Gowling Lafleur Henderson LLP (as "**Escrow Agent**") a further deposit (the "**Deposit**") in the amount of \$3,150,000 to be held in escrow by the Escrow Agent until the Closing Date.

Notwithstanding anything contained in the Property Transfer Procedure to the contrary, the following provisions shall apply in respect of the Deposit:

- (a) if Closing occurs, the Deposit shall be credited against the Purchase Price and paid by the Escrow Agent to Vendor;
- (b) if Closing does not occur due to a breach by Purchaser of a representation, warranty or covenant contained herein, the Deposit shall be forfeited and paid by the Escrow Agent to Vendor as genuine pre-estimate of the damages suffered by Vendor as result of Closing not occurring, and not as penalty. Retention of the Non-refundable Deposit and the Deposit shall be Vendor's sole and exclusive remedy for failure of Closing due to the Purchaser's breach; and

- (c) if Closing does not occur for any other reason other than as provided by clause 4(b) hereof, the Deposit shall be paid by the Escrow Agent to Purchaser and the Vendor shall retain the Non-refundable Deposit.

The Parties shall promptly execute and deliver such joint directions to the Escrow Agent as required to pay the Deposit as required herein.

At Closing, Purchaser will pay to the Vendor, by wire transfer, the Purchase Price, less the Non-refundable Deposit and the Deposit, and plus or minus the adjustments to be made pursuant to clause 4.00 of the Property Transfer Procedure.

5. Due Diligence Review

5.1 Access

Vendor shall, subject to the Regulations and all existing contractual and fiduciary obligations and restrictions and to the provisions of Article 16 of the Property Transfer Procedure, provide Purchaser and its nominees:

- (a) with reasonable access during normal business hours to the Title and Operating Documents, financial information, records and files related to wells, facilities, marketing, joint ventures, including without limitation, all prior environmental assessments and reports, and all other Miscellaneous Interests agreements, documents, Lease records, data sheets, permits, easements, licences and orders to which the Assets are subject for the purpose of the review of the Assets and Vendor's title thereto; and
- (b) with a reasonable opportunity during normal business hours, upon reasonable prior notice to Vendor by Purchaser, to physically inspect while accompanied by the Person, if any, designated for such purpose by Vendor, the Assets and conduct an environmental assessment of the Assets, all at the sole cost, risk and expense of Purchaser, insofar as such access can be reasonably provided. Purchaser agrees to be liable to and, as a separate covenant, to indemnify, defend and hold harmless Vendor from and against any and all losses, liabilities, claims and causes of action for personal injury, death or property damage occurring as a result of or in connection with such entry onto any property to so inspect the Assets, provided that such losses, liabilities, claims and causes of action are not caused by the gross negligence or wilful misconduct of Vendor. Purchaser further agrees to comply fully with all Regulations, and instructions issued by Vendor or its agents regarding Purchaser's or its agent's or nominee's actions while upon, entering, or leaving any such property. If Purchaser undertakes an environmental assessment, the scope of the proposed assessment, including testing protocols, must be acceptable to Vendor prior to the commencement of the proposed assessment.

5.2 Notice of Title Defects

No later than September 15, 2015, Purchaser shall notify Vendor in writing of any Title Defects. Such notice shall include a description of each Title Defect and the Asset or Assets affected thereby (each an "**Affected Asset**"), and, in the case of each Title Defect, the bona fide value allocated by Purchaser acting reasonably to each such Affected Asset and the bona fide amount, in Purchaser's opinion acting reasonably, by which the value of each such Affected Asset has been reduced by the Title Defect and Purchaser's reasonable requirements for the remedying thereof. Failure to deliver the written notice within the time period provided above, or failure to include all of the foregoing in a written notice, or failure to include a Title Defect in a written notice shall be deemed to be a permanent waiver of such Title Defect(s) for purposes of this Article 5 hereof.

5.3 Rectification of Title Defects

- (a) Vendor shall use commercially reasonable efforts to cure or rectify the Title Defects of which Purchaser gives notice pursuant to Clause 5.2. Vendor shall not be required to make any payment to cure a Title Defect. If any such Title Defects are not cured, to Purchaser's reasonable satisfaction, at least three (3) Business Days prior to the Closing Date, the following elections shall apply:
- (i) where the cumulative amount by which the value of all of the Affected Assets has been reduced by Title Defects is, in Purchaser's opinion, acting reasonably and in good faith, 5% of the Purchase Price or less, Purchaser shall be deemed to waive permanently the uncured Title Defects and shall complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Title Defects; or
 - (ii) where the cumulative amount by which the value of all of the Affected Assets has been reduced by the Title Defects is, in Purchaser's opinion, acting reasonably and in good faith, greater than 5% but less than 15% of the Purchase Price, subject to Clause 5.4, Purchaser may elect, by notice in writing delivered to Vendor at least two (2) Business Days prior to the Closing Date, a reduction to the Purchase Price equal to the cumulative amount by which the value of all of the Affected Assets has been reduced by the Title Defects, in which case the Parties will proceed to Closing with the Purchase Price adjusted accordingly. Failure to elect within the time specified will be deemed to be a waiver by Purchaser of any such Title Defects and, in addition, an election to complete the transaction contemplated herein without an adjustment to the Purchase Price on account of any such remaining Title Defects as set out herein. The notice shall include a description of each Title Defect that has not been cured to Purchaser's reasonable satisfaction, the Affected Assets related thereto and the estimate of the reduction in value; or
 - (iii) where the cumulative amount by which the value of all of the Affected Assets has been reduced by Title Defects is, in Purchaser's opinion, acting reasonably and in good faith, equal to or more than 15% of the Purchase Price, either Party may, subject to Clause 5.4, terminate this Agreement upon written notice delivered to the other Party not less than two (2) Business Days before the Closing Date, in which case the Deposit will be returned to the Purchaser, the Vendor will retain the Non-refundable Deposit and the Parties shall have no further obligation to each other hereunder, except for obligations arising pursuant to Articles 16 and 17 of the Property Transfer Procedure and the indemnity provided in Subclause 5.1(b). Failure by either Party to elect in writing to terminate this Agreement within the time period aforesaid will be deemed to be an election to complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Title Defects.
- (b) For clarity with respect to any Title Defect, the right to price adjustment or termination, provided in this Article 5, but subject always to the limitations and qualifications provided in this Article 5, shall constitute the sole rights and remedies of Purchaser in respect of any identified Title Defects.

5.4 Disputes for Title Defects

- (a) If Vendor disagrees with the value allocated by Purchaser to the Affected Assets, Purchaser's statement of the value by which an Affected Asset has been reduced by a Title Defect, or disagrees as to the validity of a Title Defect, and if the amount by which the value of the Affected Assets has been reduced, as allocated by Purchaser, is equal to or greater than the adjustment mechanism provided in Clause 5.3 and Vendor believes such amount, (if any) by which the value has been reduced is less than the adjustment mechanism provided in Clause 5.3, the Parties shall promptly meet in good faith to discuss the issue. If after such a meeting the issue has not been resolved or if a Party does not forthwith meet to discuss the issue, any such issue as to the validity or value of a Title Defect shall be referred to arbitration pursuant to the provisions of Clause 9.02 of the Property Transfer Procedure, in which case Closing shall be delayed until after the decision of the arbitrator has been rendered, subject to the remainder of this Clause 5.4.

- (b) If after taking into account the arbitrator's decision, the cumulative amount by which the value of all the Affected Assets has been reduced is less than the adjustment threshold provided in Paragraph 5.3(a)(i), the Parties shall proceed to Closing on the third Business Day after the decision of the arbitrator has been rendered and given to both Parties, without an adjustment to the Purchase Price on account of such Title Defects.
- (c) If after taking into account the arbitrator's decision, the cumulative amount by which the value of all the Affected Assets has been reduced is equal to or greater than the adjustment mechanism described in Paragraph 5.3(a)(ii) (but less than the termination threshold described in Paragraph 5.3(a)(iii)), the Purchase Price shall be adjusted in accordance with Clause 5.3(a)(ii), but taking into account the findings of the arbitrator and the Parties shall proceed to Closing on the third Business Day after the decision of the arbitrator has been rendered and given to both of the Parties.
- (d) If after taking into account the arbitrator's decision, the cumulative amount by which the value of all the Affected Assets has been reduced is equal to or greater than the termination threshold described in Paragraph 5.3(a)(iii), either Party may elect termination as provided by this Agreement upon written notice to the other Party within two (2) Business Days after the decision of the arbitrator has been rendered and given to both Parties in which case the Deposit will be returned to the Purchaser and the Parties shall have no further obligation to each other hereunder, except for obligations arising pursuant to Articles 16 and 17 of the Property Transfer Procedure and the indemnity provided in Subclause 5.1(b). Unless either Party so terminates this Agreement, the Parties shall proceed to Closing on the fifth (5th) Business Day after the decision of the arbitrator has been rendered and given to both Parties, with an adjustment to the Purchase Price on account of the Title Defects equal to the cumulative amount by which the value of all of the Affected Assets has been reduced by Title Defects.

5.5 Notice of Environmental Defects

Not later than September 15, 2015, Purchaser shall notify Vendor in writing of any Environmental Defects which exceed \$150,000 per occurrence. Such notice shall specify such Environmental Defects in reasonable detail, the Assets directly and adversely affected thereby, and in the case of each Environmental Defect, Purchaser's bona fide estimate of the aggregate cost of any required remediation, taking into account the net present value of projected future costs of remediating such Environmental Defect, and Purchaser's reasonable requirements for the remedying of such Environmental Defect. Failure to deliver such written notice or failure to include an Environmental Defect in a written notice shall be deemed to be a permanent waiver of such Environmental Defect(s) for purposes of this Article 5.

5.6 Rectification of Environmental Defects

- (a) Vendor shall use commercially reasonable efforts to meet or respond to Purchaser's reasonable requirements regarding the Environmental Defects which Purchaser has given notice of pursuant to Clause 5.5, at least three (3) Business Days prior to the Closing Date. Where Purchaser is not reasonably satisfied with Vendor's response to all or part of the Environmental Defects described in Purchaser's notice, or where Vendor has failed to respond to Purchaser regarding this matter, then with respect to such unresolved Environmental Defects (the "**Remaining Environmental Defects**") the following elections shall apply:
 - (i) where the cumulative estimated cost to remedy all of the Remaining Environmental Defects is, in Purchaser's opinion, acting reasonably and in good faith, 5% of the Purchase Price or less, Purchaser shall be deemed to waive permanently the Remaining Environmental Defects and shall complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Remaining Environmental Defects;
 - (ii) where the cumulative estimated costs to remedy all of the Remaining Environmental Defects is, in Purchaser's opinion, acting reasonably and in good faith, more than 5%, but less than 15%, of the Purchase Price, Purchaser may elect, by notice in writing delivered to

Vendor, at least two (2) Business Days prior to the Closing Date, a reduction to the Purchase Price equal to the cumulative estimated costs to remedy all of the Remaining Environmental Defects, in which case the Parties will proceed to Closing with the Purchase Price adjusted accordingly. Failure to elect within the time specified will be deemed to be a waiver of all such Environmental Defects and, in addition, an election to complete the transaction contemplated herein without an adjustment to the Purchase Price on account of such Remaining Environmental Defect as set out herein. The notice shall include a description of each Remaining Environmental Defect and Purchaser's bona fide estimates of the costs, taking into account the net present value of the projected future costs of the remediation of such Remaining Environmental Defect; or

- (iii) where the cumulative estimated costs to remedy all of the Remaining Environmental Defects is, in Purchaser's opinion, acting reasonably and in good faith, equal to or more than 15% of the Purchase Price, either Party may, subject to Clause 5.7, terminate this Agreement upon written notice to the other Party not less than two (2) Business Days before the Closing Date, in which case the Deposit shall be returned to the Purchaser, the Non-refundable Deposit shall be retained by Vendor and the Parties shall have no further obligation to each other hereunder, except for obligations arising pursuant to Articles 16 and 17 of the Property Transfer Procedure and the indemnity provided in Subclause 5.1(b). Failure by either Party to elect in writing to terminate this Agreement within the time period aforesaid will be deemed to be an election to complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Remaining Environmental Defects.

- (b) For clarity, with respect to any Remaining Environmental Defect, the right to price adjustment or termination, provided in this Article 5, but subject always to the limitations and qualifications provided in this Article 5, shall constitute the sole rights and remedies of Purchaser in respect of such Remaining Environmental Defects.

5.7 Disputes for Remaining Environmental Defects

- (a) In determining the estimated costs of the remediation required to remedy the Remaining Environmental Defects, it is the intent of the Parties to include, when reasonably possible, only that portion of the Assets directly and adversely affected by the Remaining Environmental Defects. If Vendor disagrees as to the validity of a Remaining Environmental Defect, with the estimate of the costs of the remediation, or the type of work required to remedy a Remaining Environmental Defect, and if Purchaser's estimate of the cumulative costs of the remediation required to remedy the Remaining Environmental Defects is equal to or greater than the adjustment mechanism provided in Clause 5.6 and Vendor believes the costs (if any) are less than the adjustment mechanism provided in Clause 5.6, the Parties shall promptly meet in good faith to discuss the issue. If after such a meeting the issue has not been resolved or if a Party does not promptly meet to discuss the issue, the issue shall be referred to arbitration pursuant to the provisions of Clause 9.02 of the Property Transfer Procedure, and Closing shall be delayed until the decision of the arbitrator has been rendered, subject to the remainder of this Clause.
- (b) If the arbitrator's valuation of the costs of remediation of the Remaining Environmental Defects is less than the adjustment threshold described in Paragraph 5.6(a)(i), the Parties shall proceed to Closing on the third Business Day after the decision of the arbitrator has been rendered and given to both Parties, with no adjustment to the Purchase Price.
- (c) If the arbitrator's valuation of the costs of remediation of the Remaining Environmental Defects is equal to or exceeds the adjustment mechanism described in Paragraph 5.6(a)(ii) (but less than the termination threshold described in Paragraph 5.6(a)(iii)) the Purchase Price shall be adjusted in accordance with Paragraph 5.6(a)(ii), but taking into account the findings of the arbitrator and the Parties shall proceed to Closing on the third Business Day after the decision of the arbitrator has been rendered and given to both Parties.

- (d) If the arbitrator's valuation of the costs of remediation of the Remaining Environmental Defects is equal to or exceeds the termination threshold described in Paragraph 5.6(a)(iii), either Party may terminate this Agreement upon written notice to the other Party within two (2) Business Days after the decision of the arbitrator has been rendered and given to both Parties in which case the Deposit shall be returned to the Purchaser and the Parties shall have no further obligation to each other hereunder, except for obligations arising pursuant to Articles 16 and 17 of the Property Transfer Procedure and the indemnity provided in Subclause 5.1(b). Unless either Party so terminates this Agreement, the Parties shall proceed to Closing on the fifth (5) Business Day after the decision of the arbitrator has been rendered and given to both Parties, with an adjustment to the Purchase Price on account of the Remaining Environmental Defects equal to the cumulative estimated costs to remedy all of the Remaining Environmental Defects.

6. MODIFICATIONS TO THE PROPERTY TRANSFER PROCEDURE

The Property Transfer Procedure has not been modified except as specifically noted in this Head Agreement and in the Elections and Modifications Form. In the event that modifications are made to the Property Transfer Procedure and such modifications are not appropriately noted pursuant to subclause 6 (a) herein then the applicable provisions in the standard Property Transfer Procedure are deemed to prevail.

7. COUNTERPART EXECUTION

This Agreement may be executed in counterpart, no one copy of which need to be executed by Vendor and Purchaser. A valid and binding contract shall arise if and when counterpart execution pages are executed and delivered by Vendor and Purchaser.

IN WITNESS WHEREOF the Parties have duly executed this Agreement.

TRANSFEROR:

TRANSFeree:

BUMPER DEVELOPMENT CORPORATION LTD.

CANSTONE ENERGY LTD.

Per: _____

Per: _____

Per: _____

Per: _____

This is the execution page attached to and forming part of a Purchase and Sale Agreement dated the 26th day of August, 2015, between Bumper Development Corporation Ltd., as Transferor, and Canstone Energy Ltd., as Transferee.

SCHEDULE "B"

Attached to and forming part of a Purchase and Sale Agreement dated the 26th day of August, 2015, between Bumper Development Corporation Ltd., as Transferor, and Canstone Energy Ltd., as Transferee

PROPERTY TRANSFER PROCEDURE ELECTIONS AND AMENDMENTS

1. GST (Subclause 2.03A): (i) GST Election: Alternate 1.
 (ii) Business No.: Transferor: 10069 0544 RT0001
 Transferee: 82082 4902 RT0001

2. Interest Accrual (Clause 2.04): Alternate 1 /Neither Alternate 1 or 2 N/A will apply.

3. Place of Closing (Clause 3.01): Office of Transferor

4. Access to Transferee's Files (Subclause 3.04B): 12 months.

5. Distribution of Specific Conveyances (Clause 3.05): Alternate 1.

6. Final Statement of Adjustments (Paragraph 4.02A(b): 120 day period.

THIS IS EXHIBIT "B"
 referred to in the Affidavit of
Phil Peterson
 Sworn before me this 17
 day of JUNE A.D. 2016

 A Commissioner for Oaths/Notary Public
 in and for the Province of Alberta
Karen L. Fellowes
 Barrister and Solicitor
 Notary Public
 Province of Alberta

7. Treatment of Income During Interim Period (Clause 4.03): Alternate 1.
 • Income Tax Adjustments if Alternate 1 applies: \$243,500.
 • Exception to 4.03A if Alternate 1 applies (Subclause 4.03B): will ___/will not X apply.

8. Transferor's Representations and Warranties (Subclause 6.02). The representations and warranties in this Clause that apply are indicated by a "Y" below:

- | | |
|---|---|
| <u>Y</u> (a) Residency for Tax Purposes | <u>Y</u> (m) Abandonment of Wells |
| <u>Y</u> (b) Lawsuits and Claims | <u>Y</u> (n) Conditions of Tangibles |
| <u>Y</u> (c) No Default Notices | <u>Y</u> (o) Well/Tangibles Licence Transfers |
| <u>Y</u> (d) Compliance with Leases | <u>Y</u> (p) Regulatory Production Penalties |
| <u>Y</u> (e) Payment of Royalties | <u>Y</u> (q) Regulatory Production Allowables |
| <u>Y</u> (f) Encumbrances | <u>Y</u> (r) Area of Mutual Interest |
| <u>Y</u> (g) No Reduction | <u>Y</u> (s) No Offset Obligations |
| <u>Y</u> (h) Sale Agreements | <u>Y</u> (t) Commitment to Deliver |
| <u>Y</u> (i) Provision of Documents | <u>N/A</u> (u) ARTC |
| <u>Y</u> (j) Authorized Expenditures | <u>Y</u> (v) Quiet Enjoyment |
| <u>Y</u> (k) Environmental Matters | <u>N/A</u> (w) Additional Representations |
| <u>Y</u> (l) Condition of Wells | |

9. Survival of Representations and Warranties (Clause 6.04): 12 months.

10. Option to Terminate Relative to ROFR Exercises (Subclause 7.01D): will ___(A)/will not X (B) apply.

11. Transferee's Review (Article 8.00): is deleted in its entirety and replaced with Article 6.00 of the Head Agreement. Any reference to Article 8.00 throughout the Property Transfer Procedure will be replaced with Clause 6 of the Head Agreement.

12. **Limit on Transferor's Responsibility** (Subclause 13.03A): will X /will not ___ apply.

13. **Minimum Claim Threshold** (Subclause 13.03B): will X /will not ___ apply.
• \$ Value threshold if Subclause B applies: \$500,000.

14. **Addresses For Service** (Clause 15.02):

BUMPER DEVELOPMENT CORPORATION LTD.
1501, 300 - 5th Avenue SW
Calgary, Alberta T2P 3C4

Attention: Land Department

CANSTONE ENERGY LTD.
450, 707 - 7th Avenue SW
Calgary, Alberta T2P 3H6

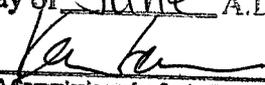
Attention: Chief Operating Officer

SCHEDULE "C" – PROPERTY TRANSFER PROCEDURE

Attached to and forming part of a Purchase and Sale Agreement dated the 26th day of August, 2015, between Bumper Development Corporation Ltd., as Transferor, and Canstone Energy Ltd., as Transferee

THIS IS EXHIBIT " C "
referred to in the Affidavit of
Phil Peterson

Sworn before me this 17
day of June A.D. 2016


A Commissioner for Oaths/Notary Public
in and for the Province of Alberta,

Karen L. Fellowes
Barrister and Solicitor
Notary Public
Province of Alberta

PROPERTY TRANSFER PROCEDURE



CANADIAN ASSOCIATION OF PETROLEUM LANDMEN

2000

2000 CAPL PROPERTY TRANSFER PROCEDURE

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PROPERTY TRANSFER PROCEDURE

Attached to and forming part of the Agreement dated _____, between _____

1.00 DEFINITIONS AND INTERPRETATION

1.01 Definitions

In this Property Transfer Procedure:

- A. "**Abandonment and Reclamation Obligations**" means all obligations under the Title and Operating Documents and the Regulations:
 - (a) to abandon the Wells;
 - (b) to decommission and remove the Tangibles, including associated foundations and structures; and
 - (c) to restore, remediate and reclaim the lands to which the Surface Rights relate.
- B. "**AFE**" means an authority for expenditure, mail ballot or any other authorization of expenditure under the Title and Operating Documents for the conduct of an operation or the accrual of a financial obligation.
- C. "**Agreement**" means the Head Agreement and the Schedules attached to it, including this Property Transfer Procedure.
- D. "**Assets**" means, subject to Clauses 1.02 and 1.05, the Petroleum and Natural Gas Rights, the Tangibles, the Miscellaneous Interests (including, without limitation, the Wells) and any sulphur comprising part of a base pad or storage block that forms part of the Assets under Paragraph 4.01(e).
- E. "**Business Day**" means any day of the week other than a Saturday, Sunday or statutory holiday in Alberta.
- F. "**Closing**" means the delivery of those documents and amounts described in Clause 3.03.
- G. "**Closing Date**" has the meaning set forth for that term in the Head Agreement.
- H. "**Deposit**" means any payment made by the Transferee under the Head Agreement prior to Closing as security for payment of the Purchase Price and, if applicable, as an estimate of liquidated damages for the purposes of Paragraph 12.01(c).
- I. "**Effective Date**" has the meaning set forth for that term in the Head Agreement.
- J. "**Environmental Liabilities**" means all liabilities pertaining to the Assets in respect of the environment, whether or not caused by a breach of the applicable Regulations and whether or not resulting from operations conducted with respect to the Assets, including, without limitation, liabilities related to:
 - (a) the transportation, storage, use or disposal of toxic or hazardous substances or hazardous, dangerous or non-dangerous oilfield substances or waste;
 - (b) the release, spill, escape or emission of toxic or hazardous substances;
 - (c) any other pollution or contamination of the surface, substrate, soil, air, ground water, surface water or marine environments;

- (d) damages and losses suffered by third parties as a result of the occurrences in Paragraphs (a)-(c) of this Subclause; and
 - (e) any obligations imposed by the Regulations to protect the environment or to rectify environmental problems.
- K. "Facilities" means all unit facilities under any unit agreement that applies to the Petroleum and Natural Gas Rights and all other field facilities that are not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation, injection, water disposal, measurement, processing, storage or other operations respecting the Petroleum and Natural Gas Rights or the Petroleum Substances produced therefrom, including, without limitation, any applicable battery, separator, compressor station, gathering system, pipeline, production storage facility or warehouse, which other field facilities are in each case specifically identified in a Schedule.
- L. "General Conveyance" means a document delivered at Closing, substantially in the form of Exhibit "A" to this Property Transfer Procedure, through which the Transferor conveys the Assets to the Transferee.
- M. "GST" means the goods and services tax provided for under the *Excise Tax Act* (Canada), as amended, and the regulations thereunder, or any successor or parallel federal or provincial legislation that imposes a tax on the recipient of goods and services.
- N. "Head Agreement" means the agreement to which this Property Transfer Procedure is attached as a Schedule.
- O. "Interim Period" means the period from the Effective Date to, but not including, the Closing Date.
- P. "Lands" means the lands, formations and associated Petroleum Substances described in the Land Schedule, insofar as rights relating thereto are granted under the Leases.
- Q. "Land Schedule" means the Schedule that describes, without limitation, the Lands, the Leases and the Petroleum and Natural Gas Rights being disposed of by the Transferor.
- R. "Leases" means, collectively, the various leases, licences, permits, reservations, certificates of title and other documents of title set forth in the Land Schedule through which the holder may explore for, drill for, recover, remove or dispose of Petroleum Substances within, upon or under the Lands (or lands with which the Lands are pooled or unitized), and includes, if applicable, all renewals and extensions of those documents and all documents issued in substitution therefor.
- S. "Losses and Liabilities" means all claims, liabilities, actions, proceedings, demands, losses, costs, penalties, fines, damages and expenses which may be sustained or incurred by any of a Party, its directors, officers, agents and employees, including, without limitation, reasonable legal fees and disbursements on a solicitor and client basis.
- T. "Miscellaneous Interests" means, subject to the limitations and exclusions in this definition, the Transferor's entire assigned interest in all property and rights, other than the Petroleum and Natural Gas Rights and the Tangibles, to the extent they pertain directly to the Petroleum and Natural Gas Rights or the Tangibles, including, without limitation:
- (a) the Title and Operating Documents;
 - (b) the Surface Rights;
 - (c) the wellbores and downhole casing respecting the Wells; and

- (d) copies of geological, engineering, Facility and other records, files, reports, data, correspondence and documents that, in the Transferor's reasonable judgement, relate directly to the Assets.

Unless otherwise agreed in writing by the Parties, the Miscellaneous Interests exclude the Transferor's tax and financial records, as well as files, documents, reports, data, intellectual property and computer hardware or software insofar as they: (i) pertain to the Transferor's geophysical data and interpretations thereof; (ii) pertain to the Transferor's proprietary technology, evaluations or interpretations (whether geological, engineering, economic or otherwise); (iii) are legal opinions; (iv) are documents prepared on behalf of the Transferor in contemplation of litigation; (v) are owned or licenced by third parties with restrictions that prohibit their deliverability or disclosure to the Transferee; (vi) are referred to specifically as exclusions in a Schedule; or (vii) pertain to records required to be maintained under the Regulations if the retention period for those records thereunder has expired.

U. "Party" means a person, partnership or corporation that is bound by this Agreement.

V. "Permitted Encumbrances" means:

- (a) the terms and conditions of the Title and Operating Documents, including, without limitation, any penalty or forfeiture that applies to the Assets subsequent to the Effective Date resulting from the Transferee's election under Subclause 5.02B not to participate in a particular operation, provided that the following items must be identified in a Schedule to qualify as Permitted Encumbrances: (i) any overriding royalties, net profits interests or other encumbrances applicable to the Petroleum and Natural Gas Rights for which the Transferee will assume the obligation for payment; (ii) any existing potential alteration of the Transferor's interest in the Assets because of a payout conversion or farmin, farmout or other such agreement; (iii) any Right of First Refusal; (iv) any penalty or forfeiture that applies to the Assets at the Effective Date because of the Transferor's election not to participate in a particular operation; and (v) any agreements described in Paragraphs 1.01KK(d), (f) and (g);
- (b) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric light, power, telephone or cable television towers, poles and wires;
- (c) the Regulations and any rights reserved to or vested in any municipality or governmental, statutory or public authority to levy taxes or to control or regulate any of the Assets in any manner, including, without limitation, the right to control or regulate production rates and the conduct of operations;
- (d) statutory exceptions to title and the reservations, limitations and conditions in any grants or transfers from the Crown of any of the Petroleum and Natural Gas Rights or interests therein;
- (e) undetermined or inchoate liens incurred or created in the ordinary course of business as security for the Transferor's share of the costs and expenses of the development or operation of any of the Assets, which costs and expenses are not delinquent as of the Closing Date;
- (f) undetermined or inchoate mechanics' liens and similar liens for which payment for services rendered or goods supplied is not delinquent as of the Closing Date;
- (g) liens granted in the ordinary course of business to a public utility, municipality or governmental authority respecting operations pertaining to any of the Assets;
- (h) any lien contemplated by Paragraphs (e), (f) or (g) of this Subclause that is being contested in good faith by the Transferor and for which it will retain responsibility, as identified in a Schedule; and
- (i) any defects or deficiencies in title to the Assets disclosed in this Agreement and any other defects or deficiencies in title to the Assets that are waived or deemed to be waived under Article 8.00.

- W. "Petroleum and Natural Gas Rights" means the interests of the Transferor described in the Land Schedule in respect of the Leases to the extent they apply to the Lands; including, without limitation, any existing contractual right of the Transferor to earn an interest under a farmin or similar arrangement and any overriding royalty, net profits interest or other encumbrance accruing to the Transferor.
- X. "Petroleum Substances" means crude oil, natural gas and every other mineral or substance, the right to explore for which, or an interest in which, is granted under the Leases.
- Y. "Prime Rate" means the per annum rate designated as the prime rate for Canadian dollar commercial loans by the main Calgary branch of the principal bank used by the Transferor, with any change to that rate being effective under this Agreement on the same day as it is made effective by that bank.
- Z. "Property Transfer Procedure" means this Schedule, including Exhibit "A" hereto titled "General Conveyance".
- AA. "Purchase Price" means: (i) for a sale and purchase, the amount payable by the Transferee to the Transferor for the Assets under the applicable provision of the Head Agreement; and (ii) for an asset exchange, the value attributed to the Transferor's Assets under the applicable provision of the Head Agreement, in each case with such modifications as are provided under the Agreement.
- BB. "Regulations" means all statutes, laws, rules, orders, directives and regulations in effect from time to time and made by governments or governmental agencies having jurisdiction over the Assets or the Parties.
- CC. "Representations and Warranties Certificate" means a certificate to be executed by an officer of a Party under Clause 10.01 respecting the truth and correctness of the representations and warranties made by that Party under Article 6.00, if the form of that certificate has been included as a Schedule.
- DD. "Right of First Refusal" means a right of first refusal, pre-emptive right of purchase or similar contractual right under the Title and Operating Documents or otherwise whereby a third party has the right to purchase or acquire any of the Assets because of the Transferor's agreement to dispose of the Assets to the Transferee.
- EE. "Schedule" means a schedule or exhibit to the Head Agreement.
- FF. "Security Interests" means security interests in the Assets (or registrations evidencing same) expressly granted by the Transferor or its predecessors in title under the provisions of, without limitation, a mortgage, deed of trust, *Bank Act* (Canada) assignment, debenture, general security agreement or a land charge under personal property security legislation.
- GG. "Specific Conveyances" means all conveyances, assignments, transfers, novations and other documents, other than the General Conveyance, that are required to effect the transfer of the Assets to the Transferee and to novate the Transferee into the Title and Operating Documents with respect to the Assets.
- HH. "Surface Rights" means all rights to use the surface of land in connection with the Assets, including, without limitation, rights to enter upon and occupy the surface of land on which the Tangibles and the Wells are located and rights to cross or otherwise use the surface of land for access to the Assets, excluding any such rights the Transferor reasonably retains for its other operations, as identified to the Transferee in writing at least 3 Business Days prior to Closing (or at such other time as the Parties may agree), for which the Transferor will, insofar as it has the right to do so and on such terms as are reasonable in the circumstances, provide the Transferee with such rights of use as the Transferee may reasonably require for its operations respecting the Assets.
- II. "Tangibles" means the Transferor's entire assigned interest in and to:

- (a) the Facilities;
- (b) all tangible depreciable property and assets, other than the Facilities, that are located on or under the surface of the Lands (or lands with which the Lands are pooled) and are used or useful solely for production, gathering, treatment, compression, transportation, injection, water disposal, measurement, processing, storage or other operations respecting the Petroleum and Natural Gas Rights, including, without limitation, the tangible equipment, if any, relating to the Wells and located at the Well site; and
- (c) any additional items that are specifically indicated in a Schedule to be included as Tangibles, provided that any abandoned pipeline that has not been removed and which is not subject to a unit agreement must be identified in a Schedule to be included in the Assets.

JJ. "Thirteenth Month Adjustment" means the accounting procedure performed annually by an operator of particular Tangibles for the purpose of redistributing certain revenues and expenses, including, without limitation, operating expenses, processing fee revenues, excess capacity utilization fees and recoveries, royalties and gas cost allowances (or similar cost allowances).

KK. "Title and Operating Documents" means, to the extent directly related to the Petroleum and Natural Gas Rights and the Tangibles, or either of them:

- (a) the Leases;
- (b) agreements affecting the Transferor's interests in the Petroleum and Natural Gas Rights, including, without limitation, operating agreements, royalty agreements, farmout or farmin agreements, option agreements, participation agreements, pooling agreements, sale and purchase agreements and asset exchange agreements;
- (c) agreements for the sale of Petroleum Substances that are terminable on 31 days' notice or less (without an early termination penalty or other cost) or that are identified in a Schedule;
- (d) agreements respecting the unitization of any of the Petroleum and Natural Gas Rights;
- (e) agreements pertaining to the Surface Rights;
- (f) agreements for the construction, ownership and operation of gas plants, gas gathering systems and other Tangibles;
- (g) service agreements for the treating, gathering, storage, transportation or processing of Petroleum Substances or other third party petroleum substances, the injection or subsurface disposal of substances, the use of wellbores or the operation of any Wells or Tangibles by a third party;
- (h) any approvals, authorizations or licences required under the Regulations for the conduct of operations with respect to the Assets, including, without limitation, Well and pipeline licences; and
- (i) all other agreements that relate to the ownership, operation or exploitation of the Petroleum and Natural Gas Rights or the Tangibles.

LL. "Title Defect" means a deficiency or discrepancy in or affecting the title of the Transferor in and to any of the Assets, sufficient to cause a reasonable buyer of the affected Assets to refuse to purchase them for fair market value (computed as if that defect did not exist), but specifically excludes, without restricting the generality of the foregoing, the Permitted Encumbrances.

MM. "Transferee" means the Party acquiring the Assets hereunder, as further described in the Head Agreement

and possibly referred to as the "Purchaser" therein.

- NN. "Transferor" means the Party disposing of the Assets hereunder, as further described in the Head Agreement and possibly referred to as the "Vendor" therein.
- OO. "Wells" means the Transferor's entire interest in all wells located on the Lands or lands pooled or unitized therewith, including, without limitation, any producing, shut-in, abandoned, suspended, capped, injection and disposal wells set forth in a Schedule, and includes the associated wellbores and casing, provided that an abandoned, injection or disposal well not subject to a unit agreement must be identified in a Schedule to be included in the Assets.

1.02 Exclusion Of Assets

If a portion of the Assets is excluded from Closing because of uncured Title Defects, the exercise of any Right of First Refusal by third parties, other provisions of this Agreement or the written agreement of the Parties:

- (a) the terms "Assets", "Facilities", "Lands", "Leases", "Miscellaneous Interests", "Petroleum and Natural Gas Rights" and "Tangibles" will be deemed to be amended to reflect the exclusion of that portion of the Assets, and the Head Agreement and the Schedules will be deemed to be amended accordingly; and
- (b) the Purchase Price will be reduced by the value attributed to the Assets for which Closing does not occur under Article 7.00 or 8.00, as applicable, the term "Purchase Price" will be construed to be that reduced amount, the allocations of value among the classes of Assets under the Head Agreement will be modified accordingly and adjustments under Article 4.00 and any interest accruing under Clause 2.04 will be calculated accordingly.

1.03 References And Interpretation

Unless otherwise stated:

- (a) the references "hereunder", "herein" and "hereof" refer to the provisions of this Property Transfer Procedure, and references to an Article, Clause, Subclause, Paragraph or Subparagraph herein refer to the specified Article, Clause, Subclause, Paragraph or Subparagraph of this Property Transfer Procedure;
- (b) the singular, masculine or neuter will be construed as the plural or feminine or corporate and vice versa, as the context requires;
- (c) the headings of Articles and Clauses and any other headings or indices are for reference only, and will not be used in interpreting any provision herein;
- (d) a capitalized derivative of a defined term will have a corresponding meaning;
- (e) all references to "dollars" or "\$" will mean lawful currency of Canada, and all billings, payments and receipts will be made and recorded in Canadian currency;
- (f) any reference to time means Mountain Standard Time or Mountain Daylight Time during the respective intervals in which each is in force under the *Daylight Savings Time Act* (Alberta);
- (g) any reference to days refers to calendar days unless the reference is to Business Days, and if the phrase "within", "at least" or "not later than" is used with reference to a specific number of days or Business Days, the day of receipt of the relevant notice will be excluded and the day of the relevant response or event will be included in determining the relevant time period. However, if the time for doing any act expires on a day that is not a Business Day, the time for doing that act will be extended to the next Business Day; and

- (h) any reference to the "Transferor's entire assigned interest" pertains to that interest of the Transferor, as identified in a Schedule, if applicable, that is being disposed of hereunder in the applicable Assets, and does not include any portion of the interest held by the Transferor that is not being disposed of hereunder.

1.04 Optional And Alternate Provisions

Except as provided in Clauses 2.04 and 6.02, if the Parties have not made an election required under this Property Transfer Procedure respecting an optional or alternate term, that optional term or the first such alternate will apply as if they had designated that optional or alternate term.

1.05 Interpretation If Types Of Assets Limited

If the Assets to which the Agreement pertains do not include both Petroleum and Natural Gas Rights and Tangibles, the provisions of this Property Transfer Procedure will be interpreted in the context of either the Petroleum and Natural Gas Rights or Tangibles, as the case may be, and the applicable Miscellaneous Interests.

1.06 Interpretation If Closing Does Not Occur

Each provision of this Property Transfer Procedure that presumes that the Transferee has acquired the Assets hereunder will be construed as having been contingent upon Closing having occurred.

1.07 Conflicts And Enforceability

- A. If there is any conflict or inconsistency between a provision of the Head Agreement and that of a Schedule (including this Property Transfer Procedure), the General Conveyance or a Specific Conveyance, the provision of the Head Agreement will prevail. If any term or condition of this Property Transfer Procedure conflicts with a term or condition of another Schedule, the General Conveyance or a Specific Conveyance, the provision of this Property Transfer Procedure will prevail. If any term or condition of the Agreement, the General Conveyance or a Specific Conveyance conflicts with a term or condition of a Lease or the Regulations, the term or condition of that Lease or the Regulations will prevail, and the Agreement, the General Conveyance or that Specific Conveyance will be deemed to be amended to the extent required to eliminate any such conflict, provided that: (i) the Parties recognize that the registered interests in the Leases may not correspond to the Transferor's interests in the lands; and (ii) the allocation of responsibility for Losses and Liabilities will continue to apply between the Parties in the event of any such conflict.
- B. Insofar as any of the provisions of the Agreement are judicially determined to be unenforceable, the applicable provisions (or portions thereof) will be deemed to be severed from the Agreement and of no force and effect between the Parties. The remainder of the Agreement will remain in full force and effect between the Parties in such event.

1.08 Transferor's Knowledge

The knowledge or awareness of the Transferor herein consists of the actual knowledge or awareness of its current officers and employees who are primarily responsible for the matter in question in the course of their normal duties (other than those employees employed in the field who do not have management responsibilities), after reasonable inquiry of the Transferor's applicable files and records. For these purposes, knowledge and awareness do not include the knowledge of any third party or constructive knowledge. The Transferor does not have any obligation to make inquiry of third parties or the files and records of any third party or public authority in connection with representations and warranties that are made to its knowledge or awareness.

1.09 Modifications To 2000 CAPL Property Transfer Procedure

This Property Transfer Procedure is in the form of the 2000 CAPL Property Transfer Procedure. It has been modified only by the completion of the blanks and elections required herein and by those additional changes

specifically identified herein, in the Head Agreement or in a Schedule of elections and amendments to this Property Transfer Procedure. Insofar as there are modifications to this Property Transfer Procedure that have not been specifically identified in that manner, those modifications will be deemed to be ineffective and the applicable provisions of the 2000 CAPL Property Transfer Procedure will apply as if they had not been made.

2.00 ACQUISITION AND DISPOSITION

2.01 Application Of Head Agreement

The Head Agreement includes provisions that set forth the Purchase Price and the allocation of the Purchase Price to the Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests, as applicable. Each Party confirms that the Transferee's assumption of responsibility for Abandonment and Reclamation Obligations and Environmental Liabilities and the Transferor's release of responsibility therefor has been used in the determination of the Purchase Price.

2.02 General Payment Obligations

- A. Unless otherwise agreed, the Transferee will pay all amounts payable under the Head Agreement and this Article by certified cheque or bank draft payable to the Transferor in immediately available funds.
- B. The Transferor will hold any Deposit in trust on behalf of the Transferee. If Closing occurs, the Transferor will apply the Deposit (without any adjustment for accrued interest thereon) to the Purchase Price. If Closing does not occur, the Transferor will promptly return the Deposit to the Transferee with simple interest thereon calculated at the Prime Rate from the time of its receipt by the Transferor, subject to the respective rights of the Parties under Article 12.00 in the event of default.

2.03 GST And Other Sales Taxes

- A. The GST applicable to the disposition of the Assets will be handled on the basis outlined in Alternate _____ below (Specify 1 or 2). The GST Business Numbers of the Parties are _____

Alternate 1

Subject to any application of the reverse collection mechanism, which applies to certain real property conveyances, the Transferee will remit the applicable GST to the Transferor at Closing. The Transferor will remit such GST to the applicable governmental authority in the manner and within the time constraints stipulated in Part IX of the Excise Tax Act ("ETA"), or as stipulated in successor or parallel legislation that might arise from time to time. If the reverse collection mechanism applies, the Transferee will comply with all of its obligations and entitlements under the ETA.

Alternate 2

The Transferee and Transferor will make a joint election under section 167 of the ETA so that GST will not be payable on the transfer of the Assets. The Parties will both execute the relevant GST form for Closing to effect that election. The Transferee will file that form with its GST return for the reporting period in which Closing occurs. The Transferee will provide the Transferor with such supporting documentation as the Transferor may reasonably request in order to confirm that such election has been made and properly filed. The Transferee will indemnify the Transferor for the Transferor's Losses and Liabilities pertaining to any failure of the Transferee to file that election or any failure in acceptance by applicable governmental authorities of that election.

- B. At Closing, the Transferee will remit any provincial sales taxes pertaining to its acquisition of the Assets to the applicable governmental authority in the required manner, or will provide appropriate purchase exemption certificates, if applicable. The Transferee will indemnify the Transferor for the Transferor's Losses and Liabilities pertaining to any failure of the Transferee to remit those taxes as required.

- C. If the amount of the GST or any provincial sales tax payable hereunder is adjusted as a result of any reassessment by the applicable governmental authority, any adjustment and any associated interest and penalties will be for the Transferee's account. However, the Parties will cooperate to ensure that all reasonable steps are taken to minimize the net impact of any such taxes and the corresponding penalties and interest.

2.04 Interest Accrual

Interest will accrue on the Purchase Price, plus or minus the net amount of the adjustments made at Closing under Paragraph 4.02A(a), on the basis provided in this Clause if Alternate 1 or 2 is selected, with any interest accrual resulting in a corresponding increase to the Purchase Price and, subject to Clause 1.05, the amount allocated to the Petroleum and Natural Gas Rights. Interest will not accrue under this Clause if neither Alternate is selected. Alternate ____ / Neither Alternate 1 nor 2 ____ will apply (Specify) in this Clause.

Alternate 1

Interest at Prime Rate will accrue to the Transferor on the adjusted Purchase Price during the Interim Period, except insofar as Closing is delayed for reasons solely attributable to the Transferor or it waives that interest accrual, provided that the interest accrual for the period following the Transferor's receipt of a Deposit will be based on the adjusted Purchase Price, less the Deposit. Interest will be calculated on a daily basis, but will not be compounded.

Alternate 2

If Closing is delayed, interest will accrue to the Transferor on the adjusted Purchase Price, less any Deposit, for the period between the original Closing Date and the date Closing occurs on the same basis as is provided in Clause 12.02, except insofar as that delay is solely attributable to the Transferor or it waives that interest accrual.

3.00 CLOSING

3.01 Place Of Closing

Unless otherwise agreed by the Parties, Closing will occur at the office of _____ on the Closing Date.

3.02 Effective Date Of Transfer

The transfer of the Assets from the Transferor to the Transferee and the assumption of the benefits, obligations and risks associated with the Assets by the Transferee will be effective as of the Effective Date, provided Closing occurs. As between the Parties, possession of the Assets, however, will not pass to the Transferee until Closing.

3.03 Deliveries At Closing

A. Subject to Clause 3.05, the Transferor will deliver to the Transferee on the Closing Date:

- (a) a General Conveyance, which has been prepared and executed by the Transferor;
- (b) all required Specific Conveyances, prepared and executed by the Transferor, except to the extent that the Head Agreement or the Transferee permits the Transferor to deliver the Specific Conveyances at a later date;
- (c) copies of all waivers and exercises of Rights of First Refusal received by the Transferor respecting the disposition of the Assets to the Transferee;

- (d) the Representations and Warranties Certificate, if required by the Agreement; and
- (e) those other documents as may be specifically required under this Agreement or as may be reasonably requested by the Transferee upon reasonable notice to the Transferor, including, without limitation, any additional agreements required under Subclause 1.01HH for surface access to the Assets because of the Transferor's retention of surface access for its other operations.

B. Subject to Clause 3.05, the Transferee will deliver to the Transferor on the Closing Date:

- (a) payment of any amount owing at Closing under the Agreement;
- (b) a duly executed General Conveyance;
- (c) the Representations and Warranties Certificate, if required by the Agreement;
- (d) copies of Specific Conveyances that have been executed by it; and
- (e) those other documents as may be specifically required under the Agreement.

3.04 Delivery Of Files

A. Unless otherwise agreed by the Parties, the Transferor will deliver to the Transferee, in an organized form, the Transferor's records, files, reports, data and documents constituting the Miscellaneous Interests within 10 Business Days following Closing. Insofar as they relate directly to other assets in which the Transferor retains an interest, the Transferor may retain the original of those materials and provide a photocopy of them to the Transferee. The Transferor may retain a photocopy of any original materials delivered to the Transferee under this Subclause.

B. The Transferor may, at its sole expense, obtain from the Transferee, for a period of ___ months following the Closing Date, copies or photocopies of the materials delivered to the Transferee under the preceding Subclause if those materials are required by the Transferor for audits or claims by third parties and those materials are still in the possession of the Transferee. If the Transferee disposes of any of the Assets during that period to a third party, the Transferee will take reasonable steps to enable the Transferor to have continued reasonable access to those materials for the remainder of that period, provided that the Transferee will not be required to retain copies of those materials following any such disposition.

3.05 Distribution Of Specific Conveyances

Alternate ____ (Specify 1 or 2) will apply in this Clause, provided that the Transferor will reimburse the Transferee for all registration fees incurred by the Transferee in registering discharges for Security Interests provided to it under Paragraph 10.02(c).

Alternate 1

Except as otherwise agreed by the Parties, the Transferor will retain the required number of original copies of the Specific Conveyances and other documents delivered under Subclause 3.03A, and will promptly distribute them to third parties or register them on behalf of the Transferee after Closing, insofar as they are normally distributed or registered. The Transferor will deliver to the Transferee proof of registration of the applicable Specific Conveyances in a timely manner. The Transferee will reimburse the Transferor for all transfer and registration fees incurred by the Transferor in registering those Specific Conveyances and other documents.

Alternate 2

Except as otherwise agreed by the Parties, the Transferee will, after Closing, promptly distribute to third parties or register the Specific Conveyances and other documents delivered under Subclause 3.03A, insofar as they are normally distributed or registered. The Transferee will deliver to the Transferor proof of

registration of the applicable Specific Conveyances in a timely manner. The Transferee will bear all costs in distributing or registering those Specific Conveyances and other documents.

4.00 ADJUSTMENTS

4.01 Benefits And Obligations To Be Apportioned

Except as otherwise provided herein, the Parties will apportion all benefits and obligations of every kind and nature relating to the Assets, including, without limitation, capital expenditures, maintenance costs, development costs, operating costs, royalties, property taxes, proceeds from the sale of production, accounts receivable, gas cost allowances (or similar cost allowances) and incentives accruing to operations under the Regulations. The Parties will make that apportionment on an accrual basis as of the Effective Date using generally accepted accounting principles. Notwithstanding the generality of the foregoing, the following principles will apply to adjustments made under this Article:

- (a) all costs incurred in connection with work performed or goods and services provided in respect of the Assets will be deemed to have accrued as of the date the work was performed or the goods or services provided, regardless of the time those costs became payable;
- (b) advances, cash calls and deposits by the Transferor for operations pertaining to the Assets will be adjusted under this Article, and will be transferred to, and be for the benefit of, the Transferee;
- (c) surface and mineral lease rentals and any similar payments made by the Transferor to preserve any of the Leases or any Surface Rights will be apportioned on a per diem basis as of the Effective Date;
- (d) all taxes, other than income taxes and any taxes based on the volume of produced Petroleum Substances, will be apportioned on a per diem basis as of the Effective Date;
- (e) all Petroleum Substances produced as of the Effective Date, but not delivered to the purchaser of those Petroleum Substances, including Petroleum Substances in storage, will not comprise part of the Assets, provided that sulphur comprising part of a base pad or storage block, if any, will form part of the Assets, unless otherwise agreed in the Head Agreement. Petroleum Substances not comprising part of the Assets will remain the property of the Transferor, and the proceeds from the sale thereof will accrue to the Transferor, with sales of those Petroleum Substances deemed to occur on a "first in, first out" basis;
- (f) there will be no adjustments for royalty tax credits or other similar incentives that accrue to a Party because of financial or organizational attributes specific to it, other than gas cost allowances (or similar cost allowances);
- (g) a Thirteenth Month Adjustment that relates to a period that includes months prior to and after the Effective Date will be apportioned on a per diem basis to reflect expenses, revenues and throughput volumes applicable to the respective periods of the Parties' ownership of the Assets, provided that if there is a material variance between the throughput or unit operating costs during those periods, the methodology provided for in the Title and Operating Documents for the applicable facility to calculate a Thirteenth Month Adjustment will apply, *mutatis mutandis*, to any such adjustment between those periods, as if each such period is an annual period;
- (h) there will be no interest payable on adjustments except to the extent provided for in Clause 2.04 and Paragraph 5.03(c); and
- (i) any dispute respecting adjustments will be resolved under Article 9.00.

4.02 Adjustments To Accounts

A. Subject to Paragraph 4.01(i) and Subclauses B and C of this Clause, adjustments between the Transferor

and the Transferee under this Property Transfer Procedure will be effected as follows:

- (a) unless otherwise agreed by the Parties, the Transferor will provide the Transferee with an interim statement setting forth the adjustments proposed to be made at Closing not later than 3 Business Days prior to the Closing Date, based on the Transferor's good faith estimate of the costs and expenses paid by the Transferor prior to Closing and the revenues received by the Transferor prior to Closing. The Transferor will provide reasonable assistance to the Transferee to assist it to verify the amounts set forth in that statement; and
 - (b) within the ____ day period following the Closing Date, the Transferor will prepare, on the basis of information available at that time and with input from the Transferee, a written final statement of all adjustments and payments to be made under this Property Transfer Procedure, with the net amount thereof to be remitted by the Party required to make payment within 30 days of receipt of that statement, without prejudice to the other rights of that Party under this Property Transfer Procedure to verify that amount.
- B. Notwithstanding the preceding Subclause, each Party will have the right, within the later of 6 months following the distribution of the final statement of adjustments by the Transferor under Paragraph 4.02A(b) or 12 months following the Closing Date, to examine, copy and audit the records of the other relative to the Assets for the purposes of effecting or verifying adjustments required under this Article. The auditing Party will, upon reasonable notice, conduct that audit at its sole expense during normal business hours at the offices of the audited Party or at such other premises where those records are maintained. Any claims of discrepancies disclosed by that audit will be made in writing to the audited Party within 2 months following the completion of that audit. That Party will respond in writing to any such claims within 6 months of the receipt of notice of those claims. The Parties will resolve any outstanding claims of discrepancies under Article 9.00 if they are unresolved within 2 months of that response.
- C. Notwithstanding Paragraph 4.02A(b), further adjustments on the basis indicated in this Article will be made as and when those items arise if notice requesting that adjustment, including reasonable particulars thereof, has been given by a Party to the other Party within 30 days following receipt of a Thirteenth Month Adjustment or a completed and agreed to audit or other report and the need for that adjustment arises from:
- (a) a Thirteenth Month Adjustment, operator error adjustments or errors established by joint venture audits within 36 months after the Closing Date; or
 - (b) errors established by an audit or other review of lessor royalty payments that is conducted under the Regulations or Leases within 60 months after the Closing Date or such later time as may be prescribed by the Regulations.
- D. Subject to Article 9.00 and the timing restrictions in this Article 4.00, the Parties agree that the period for seeking a remedial order under section 3(1)(a) of the *Limitations Act* (Alberta) is extended from 2 years to 4 years for all claims that may arise under this Article 4.00 respecting adjustments and audits.

4.03 Adjustment For Income Tax - Treatment Of Interim Period Income

Alternate ____ (Specify 1 or 2) will apply in this Clause. The GST applicable to both sales (outputs) and purchases (inputs) in respect of the production from the Assets during the Interim Period will be reported by the Party responsible for reporting income or loss for income tax purposes during that period.

Alternate 1

- A. *The net production income or loss (i.e., gross revenues less operating costs, lessor royalties and other direct costs) that accrues in respect of the Assets in the Interim Period will belong to, or be a loss of, the Transferor. The net income or loss will be adjusted for income taxes at the rate of ____%. The net production income or loss, as adjusted for income taxes, as provided for in this Article will constitute a*

decrease or increase to the Purchase Price and, subject to Clause 1.05, to the amount allocated to the Petroleum and Natural Gas Rights, unless Subclause B of this Alternate applies.

B. This optional Subclause will ____/ will not ____ (Specify) apply herein.

If Closing occurs in the same calendar month as the Effective Date, the net production income or loss (i.e., gross revenues less operating costs, lessor royalties and other direct costs) that accrues in respect of the Assets in the Interim Period will belong to, or be a loss of, the Transferee. Such net production income or loss will be reported by the Transferee for income tax purposes, and the consequential resource allowance implications will be claimed by the Transferee (and not by the Transferor).

Alternate 2

The treatment of net production income or loss realized during the Interim Period will be handled in the manner that the Parties provide in the Head Agreement.

5.00 MAINTENANCE OF BUSINESS

5.01 Assets To Be Maintained In Proper Manner

The Transferor will maintain the Assets in a proper and prudent manner in accordance with good oil field practice and the Regulations during the Interim Period, with such consultation with the Transferee as is prescribed by Clause 5.02 or is otherwise reasonably appropriate in the circumstances. The Transferor will comply with all of its obligations with respect to the Assets under the Title and Operating Documents, will pay when due all expenses and other amounts payable in respect of the Assets during the Interim Period and will maintain any insurance it holds respecting the Assets until Closing. Unless otherwise specified herein or in the Head Agreement, the Transferor will not be required to obtain additional insurance respecting the Assets during the Interim Period, except to the extent such insurance is required to be maintained under the Regulations or the Title and Operating Documents. The Transferor will remain the beneficiary under all such policies of insurance, and, unless otherwise agreed by the Parties, the Transferee will not be entitled to any proceeds of settlement thereunder. The Transferor will promptly give notice, in reasonable detail, to the Transferee upon the Transferor becoming aware of any damage to the Tangibles of the type contemplated in Paragraph 10.02(a).

5.02 Material Commitments During Interim Period

- A. During the Interim Period, the Transferor will forthwith provide to the Transferee copies of all AFEs, notices and mail ballots the Transferor receives respecting the Assets, and will not, without the prior written consent of the Transferee, which consent may not be unreasonably withheld or delayed:
- (a) assume any new obligation or commitment respecting the Assets, if the Transferor's share of the associated expenditure is estimated to exceed \$25,000.00, except: (i) for amounts that the Transferor is committed to expend or is deemed to authorize under the Title and Operating Documents without its specific authorization or approval; or (ii) to the extent that the Transferor reasonably determines that those expenditures or actions are necessary for the protection of life and property, provided that the Transferor will promptly notify the Transferee of any such expenditure or actions;
 - (b) sell, transfer or otherwise dispose of any of the Assets, except for: (i) sales of production of Petroleum Substances reasonably made by the Transferor in the ordinary course of business under sales arrangements permitted herein; (ii) or to the extent required to comply with any Right of First Refusal;
 - (c) surrender or abandon any of the Assets;
 - (d) amend any of the Title and Operating Documents (other than for processing of assignments by third parties in the ordinary course of business), terminate any of the Title and Operating Documents, enter into any new agreement respecting the Assets or vote on any mail ballot or other similar notice issued under the Title and Operating Documents;

- (e) subject to Clause 5.01, Paragraph 5.02A(a) and Subclause 5.02B, propose or initiate the exercise of any option arising as a result of the ownership of the Assets (including, without limitation, rights under area of mutual interest provisions and any Right of First Refusal) or propose or initiate any operations with respect to the Assets that have not been commenced or committed to by the Transferor as of the Effective Date, if that exercise or option would result in an obligation of the Transferee after the Effective Date or a material adverse effect on the value of any of the Assets; or
 - (f) other than for Permitted Encumbrances, grant a Security Interest or any encumbrance with respect to any of the Assets.
- B. If an operation or the exercise of any option respecting the Assets is proposed in circumstances which would require the written consent of the Transferee under Subclause 5.02A (the "Proposal"):
- (a) the Transferor will promptly give notice of the Proposal to the Transferee, including with that notice supporting information in reasonable detail;
 - (b) the Transferee will advise the Transferor, by notice, not later than 2 Business Days prior to the time the Transferor is required to make its election for the Proposal, if the Transferee wishes the Transferor to exercise its rights on behalf of the Transferee, provided that this period will be reduced to 12 hours if the period within which the Transferor is required to reply, by notice to the applicable third parties, is 48 hours or less and that failure to make an election within the applicable period will be deemed to be the Transferee's election not to participate in the Proposal;
 - (c) the Transferor will make the election authorized by the Transferee for the Proposal within the period during which the Transferor may respond to the Proposal;
 - (d) an election by the Transferee not to participate in a Proposal will not result in any reduction of the Purchase Price if the Transferor's interest therein is terminated or altered as a result of that election, and that termination or alteration will not constitute a Title Defect or a breach of the Transferor's representations and warranties; and
 - (e) the Transferor may require the Transferee to advance or otherwise secure any costs to be incurred by the Transferor on behalf of the Transferee under this Subclause in such manner as may be reasonably appropriate in the circumstances.
- C. The Transferee may not, without the written consent of the Transferor, request the Transferor to propose the conduct of any operation respecting the Assets during the Interim Period, except to the extent provided in the Head Agreement or this Article.

5.03 Post-Closing Transitional Maintenance Of Assets

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

- (a) the provisions of Clause 5.02 will continue to apply, *mutatis mutandis*;
- (b) the Transferor will forthwith provide to the Transferee all AFEs, notices, mail ballots, specific information and other documents the Transferor receives respecting the Assets, and will respond to such AFEs, notices, mail ballots, information and other documents pursuant to the written instruction of the Transferee, if received on a timely basis, provided that the Transferor may refuse to follow instructions that it reasonably believes to be unlawful, unethical or in conflict with an applicable contract by providing notice to that effect to the Transferee in a timely manner;

- (c) the Transferor will deliver to the Transferee, on a monthly basis, in a manner consistent with the Transferor's internal accounting processes, all revenues, proceeds and other benefits received by the Transferor respecting the Assets, other than those that accrue to the Transferor under Article 4.00, less the share of the applicable lessor royalties, operating costs, treating, gathering, processing and product transportation expenses and those other costs and expenses directly relating to the Assets and the production of Petroleum Substances, provided that the Transferor may not recover any administrative costs and expenses it incurs as a result of that delivery, that any net amount owing to the Transferor under this Paragraph will be paid by the Transferee within 30 days of the Transferor's invoice therefor and that any amount not paid by a Party within the prescribed period may, at the option of the other Party, accrue interest under Clause 12.02; and
- (d) subject to Clause 3.05, the Transferor will, as agent of the Transferee, deliver all such agreements, notices and other documents as the Transferee may reasonably request to effect its ownership of the Assets.

5.04 Transferor Deemed Agent Of Transferee

- A. Provided Closing occurs and insofar as the Transferor maintains the Assets and takes actions on behalf of the Transferee in compliance with the obligations under this Article, the Transferor will be deemed to have been the agent of the Transferee hereunder. The Transferee ratifies all actions taken, or refrained from being taken, by the Transferor under this Article in that capacity, with the intention that all of those actions will be deemed to be those of the Transferee, except to the extent that the Transferor's actions under this Article constitute gross negligence or wilful misconduct.
- B. The Transferee will be liable to and, in addition, indemnify the Transferor and each of its directors, officers, agents and employees against all of their Losses and Liabilities as a result of maintaining the Assets or exercising other rights as the Transferee's agent under this Article, insofar as those Losses and Liabilities are not a direct result of the gross negligence or wilful misconduct of the Transferor or any of its directors, officers, agents or employees. An act or omission will not be regarded as gross negligence or wilful misconduct under this Article, however, to the extent that it was done or omitted to be done in accordance with the Transferee's written instructions or written concurrence.

6.00 REPRESENTATIONS AND WARRANTIES OF PARTIES

6.01 Mutual Representations And Warranties

Each of the Transferor and the Transferee represents and warrants to the other that:

- (a) **Standing:** It is duly organized, validly subsisting, registered and authorized to carry on business in the jurisdiction(s) where the Assets are located;
- (b) **Requisite Authority:** It has the requisite capacity, power and authority to execute the Agreement and all other documents to be executed by it, or on its behalf, hereunder and to perform its obligations hereunder;
- (c) **No Conflict:** The execution and delivery of the Agreement and the completion of the transfer of the Assets hereunder are not and will not be in breach of, or in conflict with:
 - (i) any provision of the charter, by-laws, partnership agreement or other governing documents of that Party;
 - (ii) the Regulations or any court order or judgement applicable to that Party or the Assets; or
 - (iii) any agreement, instrument, permit or authority to which it is a party or by which it is bound;
- (d) **Execution And Enforceability:** It has taken all actions necessary to authorize the execution and delivery

of the Agreement and all other documents to be executed by it hereunder, and, as of the Closing Date, that Party will have taken all actions necessary to authorize and complete the transfer of the Assets hereunder. The Agreement has been validly executed and delivered by that Party, and the Agreement and all other documents executed and delivered on behalf of that Party hereunder constitute binding obligations of that Party enforceable in accordance with their respective terms and conditions; and

- (e) **No Finders' Fees:** It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees for this transaction for which the other Party will have any responsibility.

6.02 Transferor's Representations And Warranties

The optional Paragraphs in this Clause will only apply herein if indicated to apply by so indicating with a "Yes" in the applicable blank in the margin.

The Transferor represents and warrants to the Transferee that:

- ___ (a) **Residency For Tax Purposes:** It is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);
- ___ (b) **Lawsuits And Claims:** Except as identified in a Schedule, to the Transferor's knowledge, there are no unsatisfied judgements or claims, proceedings, actions or lawsuits in existence, contemplated or threatened with respect to the Assets or its interest therein, and, to the Transferor's knowledge, no particular circumstance exists that it reasonably believes will give rise to such a claim, proceeding, action or lawsuit that would have a material adverse effect on the aggregate value of the Assets;
- ___ (c) **No Default Notices:** Except as identified in a Schedule, the Transferor has not received any notice of default under the Regulations or the Title and Operating Documents or any notice alleging its default thereunder, which default remains outstanding or unsatisfied;
- ___ (d) **Compliance With Leases And Agreements:** To the Transferor's knowledge, there has been no act or omission whereby it is, or would be, in default under the Regulations or any of the Title and Operating Documents, which default would reasonably be expected to have a material adverse effect on the aggregate value of the Assets;
- ___ (e) **Payment Of Royalties And Taxes:** To the Transferor's knowledge, all royalties and all ad valorem, property, production, severance and similar taxes and assessments based on, or measured by, its ownership of the Assets, the production of Petroleum Substances from the Lands or the receipt of proceeds therefrom that are payable by it and that accrued prior to the Effective Date and for all prior years have been properly paid in the manner prescribed by the Leases and the Regulations, or will be so paid when due;
- ___ (f) **Encumbrances:** The Transferor does not warrant its title to the Assets, but does warrant that its interest in the Assets is free and clear of any and all liens, mortgages, pledges, claims, options, Rights of First Refusal, encumbrances, overriding royalties, net profits interests or other burdens for which the Transferee will be responsible that were created by, through or under the Transferor or of which the Transferor has knowledge, except for the Permitted Encumbrances;
- ___ (g) **No Reduction:** The Transferor's interests in the Assets are not subject to reduction, by farmout, reference to payout of a well or otherwise, through any right or interest granted by, through or under it or of which it has knowledge, except for the Permitted Encumbrances;
- ___ (h) **Sale Agreements:** Except as identified in a Schedule, the Petroleum and Natural Gas Rights are not subject to any agreement: (i) for the sale of Petroleum Substances that cannot be terminated, without penalty, on 31 days' notice or less; (ii) that includes "take or pay" or similar provisions; or (iii) for gas balancing;

- _____ (i) **Provision Of Documents:** To the Transferor's knowledge, it will have made available to the Transferee, prior to Closing, all of the Title and Operating Documents in the Transferor's possession that are relevant to the Transferor's title to the Petroleum and Natural Gas Rights and those additional Title and Operating Documents and other files, documents and materials comprising the Miscellaneous Interests that are reasonably required by the Transferee to satisfy any conditions included under Clause 10.02 or have otherwise been reasonably requested by the Transferee;

- _____ (j) **Authorized Expenditures:** Except as identified in a Schedule, as may be authorized under Article 5.00 or as are operating costs incurred in the ordinary course of business, there are no outstanding AFEs or other outstanding financial commitments respecting the Assets under which expenditures of greater than \$25,000 are or may be required by the Transferee as a result of the acquisition of the Assets or in respect of which any amount is outstanding as of the Effective Date;

- _____ (k) **Environmental Matters:** Except as identified in a Schedule, the Transferor has not received and does not have knowledge of:
 - (i) any order or directive under the Regulations that relates to Abandonment and Reclamation Obligations, Environmental Liabilities or environmental compliance matters under the Regulations, if that order or directive has not been complied with or otherwise satisfied in all material respects by the Closing Date;
 - (ii) any demand or notice issued under the Regulations for the breach of any environmental, health or safety laws applicable to the Assets, including, without limitation, any Regulations respecting the release, use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding on the Closing Date; or
 - (iii) any particular existing circumstance that it reasonably believes to be material and a reportable event under the Regulations;

- _____ (l) **Condition Of Wells:** To the Transferor's knowledge, each Well located on the Lands whether producing, shut-in, injection, disposal or otherwise, has been drilled and, if completed, completed and operated in accordance with generally accepted oil and gas field practices and the material requirements of the Regulations as they existed at the relevant time;

- _____ (m) **Abandonment Of Wells:** To the Transferor's knowledge, each Well located on the Lands that has been abandoned has been plugged and abandoned, and the wellsite therefor properly restored, in accordance with generally accepted oil and gas field practices and the material requirements of the Regulations as they existed at the relevant time;

- _____ (n) **Condition Of Tangibles:** To the Transferor's knowledge, the Tangibles have been constructed, installed, maintained and operated in accordance with generally accepted oil and gas field practices and the material requirements of the Regulations as they existed at the relevant time;

- _____ (o) **Well And Tangibles Licence Transfers:** The Transferor is eligible under the Regulations to transfer the applicable licence or approval for any Well or Tangibles operated by it for which it is intended that the Transferee will become operator following Closing;

- _____ (p) **Regulatory Production Penalties:** Except as identified in a Schedule, to the Transferor's knowledge each Well that has been drilled for the purpose of producing Petroleum Substances has been drilled at a location for which an off-target production penalty is not applicable under the Regulations;

- _____ (q) **Regulatory Production Allowables:** Except as identified in a Schedule, to the Transferor's knowledge no notice has been received under the Regulations that a Well has been produced in excess of regulatory production allowables, and there is no pending change in those production allowables, other than as may

generally be applicable under the Regulations;

- _____ (r) **Area Of Mutual Interest:** Except as identified in the Land Schedule, none of the Title and Operating Documents includes an area of mutual interest that remains in effect as of the Effective Date;
- _____ (s) **No Offset Obligations:** Except as identified in the Land Schedule, the Transferor has not received any notice from, or on behalf of, the applicable lessor that a Lease is subject to an offset obligation, including an unsatisfied obligation to drill a well or surrender rights or an obligation to pay compensatory royalties;
- _____ (t) **Commitment To Deliver:** Except as identified in a Schedule, none of the Title and Operating Documents described in Paragraphs 1.01KK(f) and (g) includes a commitment to deliver production from any Lands to particular Tangibles;
- _____ (u) **Alberta Royalty Tax Credits:** The Transferor is not an "above-limit corporation", a "restricted corporation" or a member of a "restricted partnership", and none of the Assets is a "restricted resource property", as those terms are defined in the *Alberta Corporate Tax Act*;
- _____ (v) **Quiet Enjoyment:** Subject at all times to the Transferor's other representations and warranties made under this Article, the Permitted Encumbrances, Title Defects waived by the Transferee under Paragraph 8.02B(b) and the satisfaction of the obligations required to maintain the Leases in good standing by the applicable lessees, the Transferee may, for the remainder of the term of the Leases, take possession of and use the Assets for its own use and benefit without any interruption by the Transferor or any other person claiming by, through or under the Transferor; and
- _____ (w) **Additional Representations:** The Transferor makes those additional representations and warranties that are specified as such in the Head Agreement, which are deemed to be made under this Clause for all purposes hereunder.

6.03 Transferee's Representations And Warranties

The Transferee represents and warrants to the Transferor that:

- (a) **Investment Canada Act:** The Transferee is not a "non-Canadian" for the purposes of the *Investment Canada Act* (Canada) or, if the Transferee is a "non-Canadian", the Transferee will comply with the requirements of that Act to the extent, if any, that this transaction is reviewable or subject to notification requirements thereunder;
- (b) **Well And Tangibles Licence Transfers:** The Transferee is eligible under the Regulations to accept the transfer of the applicable licence or approval for any Well or Tangibles for which it is intended to replace the Transferor as operator following Closing; and
- (c) **Additional Representations:** The Transferee makes those additional representations and warranties that are specified as such in the Head Agreement, which are deemed to be made under this Clause for all purposes hereunder.

6.04 Survival Of Representations And Warranties

Each Party acknowledges that the other may rely on the representations and warranties made by that Party under Clauses 6.01, 6.02 and 6.03. Those representations and warranties will be true on the Effective Date and on the Closing Date, and they will continue in full force and effect and survive the Closing Date for a period of _____ months, for the benefit of the Party for which they were made. In the absence of fraud, however, no claim or action may be commenced for a breach of any representation or warranty, unless, within that period, written notice specifying the breach in reasonable detail has been provided to the Party that made that representation or warranty, and each Party waives any rights it may have at law or otherwise to commence a claim or action

for a breach of a representation or warranty after that period. Nothing in this Clause, Article 13.00 or any other provision of this Agreement will preclude a Party that made such a representation or warranty from offering as a possible defence that the other Party did not, in fact, rely to its detriment on the representation or warranty alleged by it to have been breached hereunder.

6.05 No Additional Representations Or Warranties By Transferor

- A. The Transferor makes no representations or warranties to the Transferee except as set forth in Clauses 6.01 and 6.02. Except to the extent provided in Clause 6.02, the Transferor does not warrant title to the Assets or make representations or warranties respecting: (i) the quantity, quality or recoverability of Petroleum Substances; (ii) any estimates of the value of the Assets or the revenues applicable to future production from the Lands; (iii) any engineering, geological or other interpretations or evaluations respecting the Assets; (iv) the rates of production of Petroleum Substances; (v) the degree to which production of natural gas from the Lands corresponds to the annual contract volume under any gas sales contract identified in a Schedule; or (vi) the quality, condition or serviceability of the Assets or the suitability of their use for any purpose. Without restricting the generality of the foregoing, the Transferee acknowledges that it has made (and will, prior to Closing, continue to make) its own independent evaluation and inspection of the Assets and their condition as part of its due diligence process, and that, subject always to Clause 6.04, it has relied on that independent review for its assessment of the condition, quantum and value of the Assets.
- B. Except for the representations and warranties in Clauses 6.01 and 6.02, or in the event of fraud, the Transferee forever releases and discharges the Transferor and each of its directors, officers, servants, agents and employees from any Losses and Liabilities of the Transferee and its assigns and successors, as a result of the use or reliance upon advice, information and materials pertaining to the Assets delivered or made available to the Transferee by the Transferor or any of its directors, officers, agents or employees prior to or under the Agreement, including, without limitation, any evaluations, projections, reports and interpretive or non-factual materials prepared by or for the Transferor, or otherwise in its possession.

7.00 THIRD PARTY RIGHTS AND CONSENTS

7.01 Rights Of First Refusal

- A. If any portion of the Assets is subject to a Right of First Refusal, or if the disposition herein requires the consent or approval of any third party under the Title and Operating Documents, the Transferor will promptly serve all required notices following execution of this Agreement. Each such notice will include a request for a waiver of any Right of First Refusal or for the granting of any required consent.
- B. The Transferee will supply to the Transferor, in good faith and on a reasonable basis, the value or allocation proposed by the Transferee for any of the Assets for which a Right of First Refusal notice is required under this Clause. The Parties will consult with respect to that value or allocation as appropriate in the circumstances. The Transferor will use the agreed upon value or allocation for the purposes of this Clause, provided that any dispute between the Parties with respect to that value or allocation will be resolved under Article 9.00.
- C. Insofar as third parties elect to exercise any Right of First Refusal, the Transferor will promptly notify the Transferee of that exercise. In such event, the Transferee will proceed only with the acquisition of those interests in the Assets to which those exercised third party Rights of First Refusal do not directly pertain. The value and description of the Assets will be amended under Clause 1.02, and, subject to Subclause D of this Clause and the other provisions of the Agreement, the Parties will proceed with Closing for those unaffected Assets, with a resultant adjustment of accounts.
- D. This optional Subclause will _____ / will not _____ (Specify) apply herein.

The Transferee may, by notice to the Transferor prior to the Closing Date, terminate this Agreement if the value of the Assets deleted from the Assets through the exercise of Rights of First Refusal by third parties

and because of uncured Title Defects exceeds the threshold prescribed by Paragraph 8.02B(d), if Alternate 2 of Subclause 8.02B applies.

8.00 TRANSFEREE'S REVIEW

8.01 Transferor To Provide Access

The Transferor will, subject to the Regulations, the Title and Operating Documents and Article 16.00:

- (a) provide the Transferee and its nominees reasonable access to the Transferor's records, files and documents constituting the Miscellaneous Interests at the Transferor's office during normal business hours, for the purpose of the Transferee's review of the Assets and the Transferor's title thereto, including, without limitation, the Title and Operating Documents, provided that the Transferor may exclude from the Title and Operating Documents all commercial or business terms that do not affect the Assets; and
- (b) provide the Transferee and its nominees with a reasonable opportunity to inspect the Assets at the Transferee's sole cost, risk and expense, insofar as the Transferor can reasonably provide that access.

8.02 Title Defects

A. The Transferee will conduct its review of the Transferor's title to the Assets with reasonable diligence. Not later than ___ Business Days prior to the Closing Date, the Transferee will give the Transferor notice of the Transferee's Title Defects. That notice will specify: (i) those Title Defects in reasonable detail; (ii) the Assets directly affected thereby ("the Affected Assets"); (iii) any material agreements or documents related to the Title Defects that appeared to be missing; and (iv) the Transferee's reasonable requirements for the curing of those Title Defects. The Transferor will diligently make reasonable efforts to cure those Title Defects not later than 3 Business Days prior to the Closing Date.

B. Alternate ____ (Specify 1 or 2) will apply in this Subclause.

Alternate 1

Insofar as the Title Defects described in the notice in the preceding Subclause have not been cured to the Transferee's reasonable satisfaction on or before the Closing Date, the Transferee may elect, by notice to the Transferor on or before the Closing Date, to do one of the following:

- (a) *delay the Closing Date to such later date as is agreed by the Parties, to provide the Transferor with additional time to cure the remaining Title Defects, at which point this Subclause will again apply to any then uncured Title Defects;*
- (b) *waive the uncured Title Defects and proceed with Closing; or*
- (c) *terminate this Agreement, in which case Clause 18.07 will apply.*

Alternate 2

Insofar as the Title Defects described in the notice in the preceding Subclause have not been cured to the Transferee's reasonable satisfaction on or before the Closing Date, the Transferee will, on or before the Closing Date, give the Transferor notice of the Title Defects that the Transferee is not prepared to waive. The Transferee will include in that notice the value reasonably attributed to each affected interest by the Transferee. The Parties will proceed with Closing, without adjustment to the Purchase Price due to those uncured Title Defects, unless the total value attributed to them by the Transferee in that notice exceeds \$_____. If the total value so attributed to those uncured Title Defects exceeds that amount, the Transferee may elect, by notice to the Transferor on or before the Closing Date, to do one of the following:

- (a) *delay the Closing Date to such later date as is agreed by the Parties, to provide the Transferor with additional time to cure the remaining Title Defects, at which point this Subclause will again apply to any then uncured Title Defects;*
 - (b) *waive the uncured Title Defects and proceed with Closing;*
 - (c) *proceed with Closing for only those Assets not directly affected by the applicable uncured Title Defects, in which case the value and description of the Assets will be amended under Clause 1.02 and accounts adjusted accordingly, provided that the Transferor may delay Closing by 2 Business Days, by notice to the Transferee, and may at or prior to that delayed Closing Date terminate this Agreement, by notice to the Transferee, if the Transferee had attributed a value of ___% or more of the Purchase Price to the Assets affected by the applicable uncured Title Defects; or*
 - (d) *subject to Subclause 8.02F, terminate this Agreement if the value of the Affected Assets for which the Title Defects remain uncured and, if Subclause 7.01D has been selected to apply, the Assets excluded from Closing through the exercise of Rights of First Refusal by third parties are ___% or more of the Purchase Price.*
- C. Failure of the Transferee to make an election on or before the Closing Date will be deemed to be an election under Paragraph (b) of the preceding Subclause. Upon Closing, the Transferee will be deemed to have waived permanently all Title Defects pertaining to the acquired Assets that were identified by the Transferee in the notice issued under Subclause 8.02A. However, this Subclause will not limit the Parties' respective rights with respect to other Title Defects respecting the acquired Assets that are subsequently discovered by the Transferee, insofar only as those Title Defects are a result of the breach of the Transferor's obligations under Clause 5.02 or, subject to Clauses 6.04 and 13.01, in breach of the Transferor's representations and warranties under Article 6.00.
- D. If Alternate 2 has been selected to apply in Subclause 8.02B, the Transferee elects to proceed with Closing under Paragraph (c) thereof and the Transferor does not exercise its right to terminate this Agreement thereunder, the Purchase Price for Closing will exclude the value attributed to the Affected Assets by the Transferee under Subclause 8.02B or such other value as the Parties may agree. Insofar as the Parties have not agreed on the value of the Affected Assets, they will determine that value under Article 9.00, as of the Effective Date, provided that this amount will not exceed the value attributed to those Affected Assets by the Transferee. The Parties will promptly adjust accounts accordingly following a determination of the value of the Affected Assets under Article 9.00.
- E. If Alternate 2 has been selected to apply in Subclause 8.02B, Closing proceeds under Paragraph (c) thereof and, within 30 days of the Closing Date, the Transferor cures or rectifies uncured Title Defects to the reasonable satisfaction of the Transferee for any of the Affected Assets for which Closing did not occur, it may, by notice to the Transferee within that period, require the Transferee to proceed with the acquisition of those Affected Assets. This Agreement will apply, *mutatis mutandis*, to that acquisition, as of the Effective Date. The Purchase Price applicable to those Affected Assets will be the amount of the reduction in the Purchase Price applicable to the exclusion of those Affected Assets from Closing, subject to the adjustments provided in Article 4.00. The Purchase Price for those Affected Assets will be payable by the Transferee at the Closing for those Affected Assets, but in no event later than 45 days following the Closing Date hereunder.
- F. If Alternate 2 has been selected to apply in Subclause 8.02B, the Transferee elects to terminate this Agreement under Paragraph (d) thereof and the Transferor does not agree with the value allocated to the Affected Assets for which the Title Defects remain uncured, the Transferor may, by notice to the Transferee within 1 Business Day of the Transferee's notice to terminate this Agreement, require the applicable values to be determined under Article 9.00. If the Transferor serves that notice, the Parties will be deemed to have agreed to delay the Closing Date until 2 Business Days following that determination, at which point Subclause 8.02B will again apply.

9.00 DISPUTE RESOLUTION

9.01 Disputes Initially Referred To Mediation

The Parties will attempt to resolve any dispute arising hereunder through consultation and negotiation in good faith. If those attempts fail, a Party may, by notice to the other Party at any time during those negotiations, request the other Party to attempt to resolve that dispute through mediation, including with that notice sufficient detail to enable the other Party to understand the issues that remain in dispute. The Parties will attempt to agree on the selection of a mediator within 5 Business Days of receipt of that notice, unless a Party gives notice to the other Party within that period that it is not prepared to proceed with mediation respecting that dispute. If the Parties are proceeding with a mediation and are unable to select a mediator within that period, either Party may thereafter deliver a written request to The Canadian Foundation for Dispute Resolution to attempt to select, within 2 Business Days of the receipt of that request, a mediator, qualified by education and experience to resolve that dispute, and the Parties agree that the person so selected will be the mediator for the dispute. Unless otherwise agreed, the Parties will commence a mediation within 15 Business Days of the selection of the mediator, and the mediation process will continue until the dispute is resolved, a Party serves notice to the other Party that it wishes to terminate the mediation or the mediator makes a written determination that the dispute cannot be resolved through mediation, whichever first occurs. The Parties will each bear their own costs associated with a mediation, but will share the common costs of a mediation equally, including, without limitation, the cost of the mediator.

9.02 Arbitration Proceedings

A Party that wishes to pursue further proceedings after a failed or terminated mediation under Clause 9.01 must refer the dispute to binding arbitration for final resolution if the dispute pertains to: (i) the degree to which it is reasonable for the Transferor to exclude rights from the Surface Rights for its other operations under Subclause 1.01HH; (ii) the degree to which Closing is delayed for reasons solely attributable to the Transferor under Clause 2.04; (iii) adjustments under Article 4.00; (iv) the value or allocation to be used in a Right of First Refusal notice under Subclause 7.01B; or (v) the value of Assets for which Title Defects remain uncured under Clause 8.02. Any such arbitration, and any other arbitration the Parties may agree to conduct hereunder, will be conducted under the Commercial Arbitration Rules of The Canadian Foundation for Dispute Resolution. Except as otherwise provided in this Clause, a Party may commence a court action with respect to any other dispute after a failed or terminated mediation.

9.03 Limitation Periods And Interim Relief

All limitation periods respecting the commencement of an action will be stayed during the period that the Parties are attempting to resolve a dispute under Clause 9.01 or 9.02. A Party may, at any time it believes it necessary to protect its interest during that period, seek interim or provisional relief, in the form of a temporary restraining order, preliminary injunction or other interim equitable relief concerning a dispute under this Agreement, notwithstanding anything to the contrary in this Article.

10.00 CONDITIONS TO CLOSING

10.01 Conditions For Benefit Of Each Party

The obligation of a Party to complete the transaction herein is subject to the following conditions precedent that have been included for the mutual benefit of the Parties:

- (a) **Investment Canada Act And Competition Act:** Any approvals required under the *Investment Canada Act* (Canada) and the *Competition Act* (Canada) will have been obtained;
- (b) **Rights Of First Refusal:** All Rights of First Refusal will have been exercised, been waived or lapsed

by the effluxion of time at or prior to the Closing Date;

- (c) **Material Compliance:** The other Party will have complied in all material respects with its obligations under this Agreement to be performed or complied with at or prior to the Closing Date;
- (d) **Representations And Warranties Correct:** The representations and warranties made by the other Party under Article 6.00 will be true and correct in all material respects as of the Effective Date and the Closing Date, except for those changes thereto that necessarily arise as the result of the operation of the provisions of the Agreement, and, if required by the Agreement, the other Party will have delivered a Representations and Warranties Certificate to that effect at Closing; and
- (e) **Additional Conditions:** Any additional conditions precedent for the mutual benefit of the Parties that are specified as such in the Head Agreement, which are deemed to be made under this Clause for all purposes hereunder.

10.02 Conditions For Benefit Of Transferee

The obligation of the Transferee to complete the acquisition hereunder is subject to the following conditions precedent that have been included for its sole benefit:

- (a) **No Substantial Damage:** Except as consented to in writing by the Transferee, no substantial unrepaired damage or physical alteration of the Tangibles will have occurred between the earlier of the Effective Date or the date of the Agreement, as applicable, and the Closing Date which, in the Transferee's reasonable opinion, would materially and adversely affect the value of the Assets;
- (b) **Delivery Of Conveyance Documents:** The Transferor will have delivered to the Transferee a General Conveyance and those other documents and materials described in Subclause 3.03A that are to be provided to the Transferee at Closing;
- (c) **Discharge Of Security Interests:** The Transferor will have delivered to the Transferee, at no cost to the Transferee, registrable discharges of all Security Interests or a "no interest" letter that is satisfactory to the Transferee, acting reasonably, from the financial institution(s) or other third parties holding those Security Interests; and
- (d) **Additional Conditions:** Any additional conditions precedent for the benefit of the Transferee that are specified as such in the Head Agreement, which are deemed to be made under this Clause for all purposes hereunder.

10.03 Conditions For Benefit Of Transferor

The obligation of the Transferor to complete the disposition hereunder is subject to the following conditions precedent that have been included for its sole benefit:

- (a) **Required Payment:** The Transferee will have tendered to the Transferor in the prescribed manner all amounts required to be paid by the Transferee hereunder at or prior to Closing Date, as applicable;
- (b) **Delivery Of Conveyance Documents:** The Transferee will have delivered to the Transferor copies of a General Conveyance and the Specific Conveyances executed by the Transferee; and
- (c) **Additional Conditions:** Any additional conditions precedent for the benefit of the Transferor that are specified as such in the Head Agreement, which are deemed to be made under this Clause for all purposes hereunder.

10.04 Waiver Of Conditions Precedent

The Party for the benefit of which conditions precedent have been included may waive any of them, in whole or in part, by notice to the other Party. However, neither Party may waive the existence or operation of any Right of First Refusal or any condition that has been included respecting approvals required under the Regulations.

10.05 Failure To Satisfy Conditions

- A. If any condition precedent in Clause 10.01, 10.02 or 10.03 has not been satisfied at or before the Closing Date and that condition has not been waived under Clause 10.04 by the Party for the benefit of which it was included, that Party may terminate this Agreement by notice to the other Party. However, a Party may not terminate this Agreement in this manner after Closing, and any remedies thereafter for the failure to satisfy such a condition will be limited to damages, if applicable.
- B. Notwithstanding the preceding Subclause, but subject to Clause 10.04, any additional condition precedent included in the Head Agreement under Paragraph 10.01(e), 10.02(d) or 10.03(c) that is to be satisfied on or before a specified date prior to the Closing Date will be deemed to have been met or waived unless, prior to that date, the Party for the benefit of which it exists notifies the other Party that the condition has not been met.

10.06 Parties To Exercise Diligence With Respect To Conditions

Each Party will proceed in good faith and use all reasonable efforts with respect to all matters within its control to satisfy the conditions referred to in Clauses 10.01, 10.02 and 10.03. A Party that fails to comply with its obligations under this Clause with respect to a particular condition may not rely on the failure to satisfy that condition as a basis for the termination of this Agreement under Clause 10.05.

11.00 OPERATORSHIP

11.01 Operatorship And Third Parties

Nothing in this Agreement will be interpreted as an assignment of the Transferor's rights as operator of any of the Assets under the Title and Operating Documents or as any assurance by the Transferor that the Transferee will be able to serve as operator for any of the Assets thereunder at or after Closing.

11.02 Signs And Notifications

After Closing, the Transferor and Transferee will coordinate the removal of any signs that indicate the Transferor's ownership or operation of the Assets. It will be the Transferee's responsibility to erect or install any signs that may be required by the Regulations to indicate that the Transferee is the owner or operator of the Assets. The Transferee will complete any such replacement of signs within 3 months of the Closing Date, and the Transferor may proceed with the replacement of those signs at the Transferee's expense, insofar as they are not replaced by that time. It will also be the Transferee's responsibility to notify suppliers, contractors, governmental agencies, gas transporters and other affected third parties of its interest in the Assets within 60 days of the Closing Date.

12.00 DEFAULT

12.01 Remedies Of Injured Party

If a Party (the "Defaulting Party") fails to comply with an obligation under the Agreement and Closing does not occur as a result, the other Party (the "Injured Party") may, by notice to the Defaulting Party, elect:

- (a) to continue to treat the Agreement as binding and enforceable;
- (b) to treat the Agreement as terminated by reason of the non-fulfilment of the Defaulting Party's obligations and, if the Injured Party so decides and subject to Article 9.00, pursue a claim for damages, provided that any Deposit and interest accrued thereon under Subclause 2.02B will be: (i) returned to the Transferee if the Transferee is the Injured Party; or (ii) retained in trust by the Transferor's solicitors until the resolution of the dispute if the Transferor is the Injured Party or there is a dispute as to which Party is the Injured Party, in which case those amounts will be applied towards satisfaction of the damages or promptly returned to the Transferee, as applicable; or
- (c) if there is a Deposit, to treat the Agreement as terminated by reason of the non-fulfilment of the obligations of the Defaulting Party and to limit the Injured Party's remedy for that default to the handling of the Deposit on the basis set forth in this Paragraph (c). If the Defaulting Party is the Transferee, the Deposit and the interest accrued thereon will be forfeited to the Transferor as a genuine pre-estimate of liquidated damages and not as a penalty. If the Defaulting Party is the Transferor, the Deposit and the interest accrued thereon under Subclause 2.02B will be refunded to the Transferee forthwith. If the Injured Party elects to proceed under this Paragraph, it will be deemed to have waived all other remedies that may otherwise have been available to it at law or equity for that default.

However, the Injured Party will be deemed to treat the Agreement as binding and enforceable until it elects, by notice to the Defaulting Party, to apply Paragraph (b) or, if applicable, (c) of this Clause.

12.02 Interest Accrues On Amounts Owing

Subject to Subclause 8.02D, any amount owing to a Party by the other Party hereunder after Closing and remaining unpaid will bear interest, compounded and computed monthly at the rate of 2% percent per annum above the Prime Rate, from the day that amount was due to be paid until the day it is paid, regardless of whether the Party has given the other Party prior notice of the accrual of interest hereunder.

13.00 LIABILITY AND INDEMNIFICATION

13.01 Responsibility Of Transferor

A. Alternate _____ (Specify 1 or 2) will apply in this Subclause.

Alternate 1

Subject to Clauses 5.04, 6.04, 13.03 and 13.04 and provided Closing has occurred, the Transferor will:

(a) be liable to the Transferee for its Losses and Liabilities; and, in addition

(b) indemnify and hold harmless the Transferee and each of its directors, officers, agents and employees from and against all Losses and Liabilities;

as a direct result of the Transferor's breach, on or prior to the Closing Date, of any of the representations and warranties of the Transferor under this Agreement, except any Losses and Liabilities insofar as they are caused by a breach of the Transferee's representations or warranties under Article 6.00 or by the gross negligence or wilful misconduct of the Transferee, or any of its directors, officers, agents, employees or assigns.

Alternate 2

Subject to Clauses 6.04, 13.03 and 13.04 and provided Closing has occurred, the Transferor will:

(a) be liable to the Transferee for its Losses and Liabilities; and, in addition

(b) indemnify and hold harmless Transferee and each of its directors, officers, agents and employees from and against all Losses and Liabilities;

as a direct result of any matter attributable to the Assets and occurring or accruing prior to the Effective Date, except any Losses and Liabilities insofar as they are caused by the gross negligence or wilful misconduct of the Transferee, or any of its directors, officers, agents, employees or assigns.

- B. The responsibility prescribed by the preceding Subclause, however, is not a title warranty and does not provide an extension of any representation or warranty contained in Clauses 6.01 and 6.02, an additional remedy for the Transferor's breach thereof or any extension of the Transferee's rights under Clause 8.02. Subject only to Subclause 4.02C and in the absence of fraud, no claim or action may be commenced by the Transferee under this Clause, unless, within ____ months following the Closing Date, written notice describing the claim in reasonable detail has been provided to the Transferor, and the Transferee hereby waives any rights it may have at law or otherwise to commence such a claim or action after that period.

13.02 Responsibility Of Transferee

Subject to Clauses 5.04 and 6.04 and provided Closing has occurred, the Transferee will:

- (a) be liable to the Transferor for its Losses and Liabilities; and, in addition
- (b) indemnify and hold harmless the Transferor and each of its directors, officers, agents and employees from and against all Losses and Liabilities;

as a direct result of any matter attributable to the Assets and occurring or accruing on or subsequent to the Effective Date, except any Losses and Liabilities insofar as they are caused by a breach of the Transferor's representations or warranties under Article 6.00 or by the gross negligence or wilful misconduct of the Transferor, or any of its directors, officers, agents or employees. The responsibility prescribed by this Clause, however, does not provide an extension of any representation or warranty under Clauses 6.01 and 6.03 or an additional remedy for the Transferee's breach thereof.

13.03 Limit On Party's Responsibility

- A. This optional Subclause 13.03A will ____/ will not ____ (Specify) apply herein.

The Transferor's total liabilities and indemnities under the Agreement, including, without limitation, any claims relating to its representations and warranties, will not exceed the Purchase Price, as adjusted, except in the event of fraud and as required under Clause 4.02.

- B. This optional Subclause 13.03B will ____/ will not ____ (Specify) apply herein.

No claim will be made against a Party by the other Party under the Agreement unless the total Losses and Liabilities alleged by the Party making the claim exceed \$_____.

13.04 Assets Acquired On "As Is" Basis

Notwithstanding the previous provisions of this Article, the Transferee acknowledges that it is acquiring the Assets on an "as is" basis, as of the Effective Date. The Transferee acknowledges that it is familiar with the condition of the Assets, including the past and present use of the Petroleum and Natural Gas Rights and the Tangibles, that the Transferor has provided the Transferee with a reasonable opportunity to inspect the Assets under Clause 8.01 and that the Transferee is not relying upon any representation or warranty of the Transferor as to the condition, environmental or otherwise, of the Assets, except as is specifically made under Clause 6.02. Provided Closing has occurred, the Transferee will:

- (a) be solely liable and responsible to the Transferor for its Losses and Liabilities; and, in addition
- (b) indemnify and hold harmless the Transferor and each of its directors, officers, agents and employees from and against all Losses and Liabilities;

as a direct result of any matter attributable to any Environmental Liabilities and Abandonment and Reclamation Obligations pertaining to the acquired Assets, regardless of the date from which they may have accrued. In addition, the Transferor will also retain those other rights and remedies available to it under the Regulations, under the common law or otherwise with respect to any claim it may have against the Transferee with respect to those Losses and Liabilities. The Transferee hereby releases the Transferor from any claims it may have against the Transferor with respect to all such Environmental Liabilities and Abandonment and Reclamation Obligations under the Regulations, at common law or otherwise, including, without limitation, the right to name the Transferor as a third party under any action commenced against the Transferee. Nothing in this Clause, however, will operate to limit any representation or warranty made by the Transferor under Clause 6.02 with respect to the environmental condition of the Assets or to affect the Transferee's right to make a claim against the Transferor for the breach thereof hereunder, subject to Clause 6.04.

13.05 Notice Of Claims

- A. If, after Closing, a claim is asserted by a third party in circumstances that may give rise to an indemnity under this Article, the Party against which that claim is asserted must give notice thereof to the other Party as soon as is reasonably possible, including with that notice reasonable details about that claim. The Parties will consult in respect thereof and in determining if that claim and any legal proceedings relating thereto should be resisted, compromised or settled.
- B. A Party must make available to the other Party all information in its possession or to which it has access that may be relevant to a claim described in the preceding Subclause, excluding any privileged communications or correspondence. The Transferee must provide the Transferor with access to the Assets to which that claim relates to the extent reasonably necessary in connection with that claim. No such claim for indemnity will apply if the claim is settled or compromised without the written consent of the indemnifying Party, which consent may not be unreasonably withheld or delayed.

13.06 Substitution And Subrogation

Insofar as is possible, each Party will have full rights of substitution and subrogation in and to all representations and warranties by others previously given or made respecting the Assets.

14.00 ASSIGNMENT

14.01 Assignments Before Closing

Prior to Closing, neither Party may assign any interest in or under this Agreement or to the Assets without the prior written consent of the other Party (which consent may be arbitrarily withheld), except as may be required by the Transferor to comply with its obligations respecting any Right of First Refusal, because of any earning or payout recovery under the Title and Operating Documents or as a result of any operation of Clause 5.02.

14.02 Assignments By Transferee After Closing

No assignment, transfer or other disposition of this Agreement or any of the Assets by the Transferee after Closing will relieve it from its obligations to the Transferor under this Agreement. The Transferor will have the option to claim payment or performance of those obligations from the Transferee or its assignee, and to bring proceedings for any default against either or all of them. However, nothing in this Agreement will entitle the Transferor to receive duplicate payment or performance of the same obligation.

15.00 NOTICES

15.01 Service Of Notice

Any notice required or permitted under the Agreement must be in writing, and may be served:

- (a) by delivering the notice to a Party at its current address for service under Clause 15.02. A notice so served will be deemed to be received by the addressee when actually delivered, provided that such delivery is during normal business hours on any Business Day. If a notice is not delivered on a Business Day or is delivered after normal business hours, that notice will be deemed to have been received by that Party at the beginning of the first Business Day next following the time of the delivery; or
- (b) by facsimile or other electronic medium directed to a Party at its current address for service under Clause 15.02. A notice so served will be deemed to be received by the addressee when actually received by it, if received within normal business hours on any Business Day or at the beginning of the next Business Day following transmission if that notice is not received during normal business hours.

15.02 Addresses For Service

The Parties' initial addresses for service of notices hereunder are:

A Party may change its address for service by notice to the other Party. That changed address for service thereafter will be effective for all purposes of the Agreement.

16.00 CONFIDENTIALITY

16.01 Transferee's Obligation To Maintain Information Confidential

Until Closing, information respecting the Assets obtained by the Transferee hereunder will be retained in confidence by it and used only for the purposes of this transaction. Upon Closing, the Transferee's right to use or disclose that information will be subject only to any applicable Title and Operating Documents. Any additional information obtained by the Transferee hereunder that does not relate to the Assets will continue to be treated as confidential by it, and will not be used by it without the prior written consent of the Transferor. However, these restrictions on disclosure and use of information will not apply, insofar as information:

- (a) is or becomes publicly available through no act or omission of the Transferee or its consultants or advisors;
- (b) is subsequently obtained lawfully from a third party, which, after reasonable inquiry, the Transferee does not reasonably believe is obligated to the Transferor to maintain that information as confidential;
- (c) is already in the Transferee's possession at the time of disclosure to it hereunder, without restriction on disclosure; or
- (d) is required to be disclosed under the Regulations or by the direction of any court, tribunal or other regulatory body having jurisdiction.

However, specific items of information will not be considered to be in the public domain merely because more general information respecting the Assets is in the public domain.

16.02 Consultants And Advisors Bound

If the Transferee employs consultants, advisors or agents to assist in its review of the Assets, it will ensure that they comply with the restrictions on the use and disclosure of information set forth in Clause 16.01.

16.03 Confidentiality Agreement

Notwithstanding Clause 16.01, the obligations of the Transferee under this Article are in addition to, and not in substitution for, its obligations under any confidentiality agreement made between the Transferor and the Transferee for its possible acquisition of the Assets, except as otherwise provided in that agreement.

17.00 PUBLIC ANNOUNCEMENTS

17.01 Parties To Discuss Public Announcements

The Parties will cooperate with each other in releasing to third parties information concerning this Agreement and the transaction contemplated herein. A Party will provide the other Party with a draft of all press releases and other releases of information for dissemination to the public a sufficient time prior to its release to enable the other Party to review that draft and provide any comments it may have. The proposed release is subject to the prior written approval of the other Party, which approval may not be unreasonably withheld or delayed. However, a Party may provide information about this transaction to any governmental agency, any regulatory authority or to the public, insofar only as is required by the Regulations or securities laws or stock exchange requirements applicable to the Party, and a Party may provide information about this transaction to a bank or other financial institution to obtain financing or any required consent of its bank or other financial lender. The Transferor may also disclose information pertaining to this Agreement and the identity of the Transferee, insofar as is required to enable the Transferor to fulfil its obligations pertaining to Rights of First Refusal and other third party rights under Article 7.00.

18.00 MISCELLANEOUS PROVISIONS

18.01 No Merger

The covenants, representations, warranties, liabilities and indemnities in this Agreement will survive Closing on the basis set forth in this Agreement. They will be deemed to apply to the General Conveyance, the Specific Conveyances and all other instruments conveying any of the Assets from the Transferor to the Transferee. They will not merge with those documents, notwithstanding the terms of those documents and any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

18.02 Further Assurances

At the Closing Date and thereafter as may be necessary, the Parties will, on a timely basis and without further consideration, complete such other documents and take such other actions as may be reasonably necessary to fulfil their respective obligations hereunder.

18.03 Waiver Must Be In Writing

Except as otherwise provided herein, only a written waiver by a Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein will be effective or binding upon that Party. Any waiver so given will extend only to the particular breach waived, and will not limit or affect any rights for any other or future breach.

18.04 Governing Law

This Agreement will be treated as a contract made in the Province of Alberta. This Agreement will be subject to and be interpreted and enforced in accordance with the laws in effect in the Province of Alberta, provided that this does not affect the obligations of the Parties to comply with the Regulations applicable to any Assets located outside the Province of Alberta. Subject to Article 9.00, each Party accepts the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom with respect to this Agreement and any associated legal proceedings between the Parties.

18.05 Time

Time is of the essence in this Agreement.

18.06 No Amendment Except In Writing

Subject to Clauses 1.02 and 15.02, amendments to this Agreement may only be in writing, executed by the Parties.

18.07 Results Of Termination

If this Agreement is terminated prior to Closing, the Parties will be released from all obligations under this Agreement, except for those under Articles 12.00 and 16.00 and the warranties, representations or other obligations breached prior to that termination, provided that the Transferee's obligations under Article 16.00 will no longer be in effect 2 years following the date of that termination. If this Agreement is terminated prior to Closing, the Transferee will promptly return to the Transferor all materials delivered to it by the Transferor hereunder and all copies of them that may have been made by or for the Transferee, and, subject to the provisions of Article 12.00, the Transferor will promptly return to the Transferee any Deposit and the interest accrued thereon under Subclause 2.02B.

18.08 Supersedes Earlier Agreements

This Agreement supersedes all other agreements between the Parties respecting the Assets, and, except for the Title and Operating Documents and any confidentiality agreement described in Clause 16.03, expresses the entire agreement of the Parties with respect to this transaction.

18.09 Exercise Of Remedies

No failure of a 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.

18.10 Enurement

Subject to the provisions of Article 14.00, this Agreement will be binding upon and enure to the benefit of the Parties and their respective trustees, receivers, receiver-managers, successors and permitted assigns.

This is Exhibit "A" to the Property Transfer Procedure included as a Schedule to the Agreement dated _____, between _____

GENERAL CONVEYANCE
(_____) Area, (Province).

This General Conveyance made this _____ day of _____, ____.

BETWEEN:

(hereinafter called the "Transferor")

- and -

(hereinafter called the "Transferee")

Whereas the Transferor has agreed to convey the Transferor's entire interest in the Assets to the Transferee and the Transferee has agreed to acquire the Transferor's interest in the Assets, the Parties agree as follows:

1. Definitions

In this General Conveyance, "Agreement" means the Agreement dated the ____ day of _____, _____ between the Transferor and the Transferee. In addition, the definitions provided for in the Head Agreement and in the Property Transfer Procedure included as a Schedule to the Agreement are adopted in this General Conveyance.

2. Conveyance

The Transferor, for the consideration provided for in the Agreement, the receipt and sufficiency of which is acknowledged by the Transferor, conveys the Assets to the Transferee. The Transferee acquires those interests from the Transferor, subject to the terms of the Agreement, the Permitted Encumbrances and compliance with the terms of the Title and Operating Documents.

3. Effective Time

This General Conveyance is effective as of the Effective Date.

4. Subordinate Document

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

5. Enurement

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

6. Further Assurances

Each Party will, after the date of this General Conveyance, on a timely basis and without further consideration, do all further acts and execute and deliver all further documents that are reasonably required to carry out the terms of this General Conveyance.

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

(TRANSFEROR'S NAME)

(TRANSFEREE'S NAME)

Per: _____

Per: _____

Per: _____

Per: _____

This is Exhibit "A" to the Property Transfer Procedure included as Schedule "C" to that Purchase and Sale Agreement made the 26th day of August, 2015 between Bumper Development Corporation Ltd., as Vendor, and Canstone Energy Ltd., as Purchaser

GENERAL CONVEYANCE

This General Conveyance made this ____ day of _____, 2015

BETWEEN:

BUMPER DEVELOPMENT CORPORATION LTD., a body corporate,
having an office in the City of Calgary, in the Province of Alberta
(hereinafter called the "Transferor");

- and -

CANSTONE ENERGY LTD., a body corporate,
having an office in the City of Calgary, in the Province of Alberta
(hereinafter called the "Transferee");

AND WHEREAS the Vendor has agreed to convey the Vendor's entire interest in the Assets to the Transferee and the Transferee has agreed to acquire the Vendor's interest in the Assets, the Parties agree as follows:

1. Definitions

In this General Conveyance, "Agreement" means the Agreement made as of the 26th day of August, 2015 between the Vendor and the Transferee. In addition, the definitions provided for in the Head Agreement and in the Property Transfer Procedure included as Schedule "C" to the Agreement are adopted in this General Conveyance.

2. Conveyance

The Vendor, for the consideration provided for in the Agreement, the receipt and sufficiency of which is acknowledged by the Vendor, conveys the Assets to the Transferee. The Transferee acquires those interests from the Vendor, subject to the terms of the Agreement, the Permitted Encumbrances and compliance with the terms of the Title and Operating Documents.

3. Effective Time

This General Conveyance is effective as of the Effective Date.

4. Subordinate Document

This General Conveyance is executed and delivered by the Parties under the Head Agreement for the purpose of the provisions of the Agreement, and the terms are to be read in conjunction with the terms of the Agreement. The Agreement will prevail if there is a conflict between the provisions of the Agreement and this General Conveyance.

5. Enurement

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

6. Further Assurances

Each Party will, after the date of this General Conveyance, on a timely basis and without further consideration, do all acts and execute and deliver all further documents that are reasonably required to carry out the terms of this General Conveyance.

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

BUMPER DEVELOPMENT CORPORATION LTD.

Per: _____

Per: _____

CANSTONE ENERGY LTD.

Per: _____

Per: _____

THIS IS EXHIBIT "D"
referred to in the Affidavit of
Phil Peterson
Sworn before me this 17
day of JUNE A.D. 2016

NO INTEREST LETTER

TO: BUMPER DEVELOPMENT CORPORATION LTD. ("Vendor")
AND TO: CANSTONE ENERGY LTD. (the "Purchaser")

[Signature]
Commissioner for Oaths/Notary Public
in and for the Province of Alberta/
Karen L. Fellowes
Barrister and Solicitor
Notary Public
Province of Alberta

THE UNDERSIGNED, being the holder of the security in respect of which registrations numbered 91061803093, 91061803689 and 92120100331 were made at the Personal Property Registry as well as registrations described in Schedule "A" hereto were made at the Alberta Energy Minerals registry (collectively, the "Security"), for good and valuable consideration, the receipt of which is hereby acknowledged, confirms to and agrees with the addressees as follows, knowing that the addressees will be relying upon such confirmation and agreement:

1. it is aware that the Vendor proposes to sell to the Purchaser the "Assets", as such term is defined in the the Purchase and Sale Agreement dated as of August 26, 2015 (the "PSA"), among the Vendor and the Purchaser;
2. it consents to the disposition of the Assets by the Vendor to the Purchaser, on and subject to the terms of the PSA;
3. the purchase consideration for the Assets may be paid without having regard to the Security;
4. the Security has not been assigned;
5. it hereby releases and discharges the Assets from the Security, and any other security held by the undersigned to which the Assets may attach, and reconveys the Assets to the Vendor, if the Assets were conveyed to it pursuant to the Security;
6. any registrations or filings made by the undersigned pursuant to the Security (including, without restricting the generality of the foregoing, the Registration) do not relate to and will not be relied on to perfect a security interest in any of the Assets;
7. the undersigned will, at Vendor's or Purchaser's request and at Vendor's cost, as soon as is practicable, discharge any and all caveats, mortgages, security notices, financing statements and other registrations which have been made in respect of the Security to the extent, but only to the extent, that any such caveats, mortgages, security notices, financing statements and other registrations pertain attach to or encumber the Assets; and
8. this No Interest Letter shall enure to the benefit of any and all successors and assigns of the addressees and an executed copy of this document delivered electronically and/or signed in counterpart shall be effective as an original.

DATED the 30th day of September, 2015.

BANK OF MONTREAL
Per: [Signature]
Zoltan J. Szoldatits
Managing Director

SCHEDULE "A"
THE REGISTRATIONS

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 047711056

REGISTRATION NUMBER: SN 9205104
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1992/09/02
COLLATERAL DESCRIPTION: Lease No. 0482070104

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 0485010189

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 0485010192

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 0486030374

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 0486030375

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 0486030376

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 0486030377

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993/06/29
COLLATERAL DESCRIPTION: Lease No. 3574

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993-06-29
COLLATERAL DESCRIPTION: Lease No. 0489090446

REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993-06-29
COLLATERAL DESCRIPTION: Lease No. 0490010301

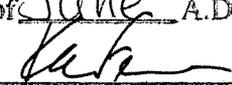
REGISTRATION NUMBER: SN 9304530
SECURED PARTY: Bank of Montreal
DEBTOR: Bumper Development Corporation Ltd.
REGISTRATION DATE: 1993-06-29
COLLATERAL DESCRIPTION: Lease No. 21053A

PROFORMA FINAL STATEMENT OF ADJUSTMENTS
PURCHASE AND SALE AGREEMENT
DATED February 17, 2016

VENDOR
PURCHASER
PROPERTY
EFFECTIVE DATE
CLOSING DATE

Bumper Development Corporation Ltd.
Canstone Energy Ltd.
Twining Shallow Gas
June 1, 2015
September 30, 2015

	First Statement of Adjustments	Second Statement of Adjustments	Third Statement of Adjustments	Final Adjusted Price
Purchase Price	\$ 35,000,000			\$ 35,000,000
Adjustments				
Operating Income June 2015 to Sept 2015	-1,847,000		-725,072	-2,572,072
Surface Lease Rentals	1,115,000		141,286	1,256,286
Mineral Lease Rentals	81,000		13,393	94,393
Property Taxes	-490,000	774,112		284,112
Capital Expenditures	140,000		28,784	168,784
Abandonments paid	0		47,192	47,192
Operating Income Oct 2015 to Jan 2016	243,500		373,017	373,017
Income tax adjustment				243,500
Subtotal	34,242,500	774,112	-121,401	34,895,211
Less ROFR's exercised	-80,000			-80,000
Adjusted Purchase Price before interest	34,162,500			34,162,500
Add interest at Prime Rate 15 days @ 2.85% 107 days @ 2.70%	40,012 270,399			40,012 270,399
Adjusted Purchase Price	34,472,911			35,125,622
Less Deposit	-3,150,000			-3,150,000
Less Credit for Advance to Luxx Oil	-3,500,000			-3,500,000
Adjusted Closing Proceeds	27,822,911			28,475,622
GST on tangibles	437,500			437,500
Due to Bumper Development Corporation Ltd. at closing	\$ 28,260,411			\$ 28,913,122

THIS IS EXHIBIT "E"
referred to in the Affidavit of
Phil Peterson
Sworn before me this 17
day of June, A.D. 2016

A Commissioner for Oaths/Notary Public
in and for the Province of Alberta
Karen L. Fellowes
Barrister and Solicitor
Notary Public
Province of Alberta

GST # 100690544RT0001