Procedures for the Sale and Investment Solicitation Process

1. On May 17, 2016, Connacher Oil and Gas Limited ("**Connacher**" or the "**Company**") obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") from the Alberta Court of Queen's Bench (the "**Court**") which, among other things, approved the Sale and Investment Solicitation Process ("**SISP**") set forth herein.

2. The purpose of the SISP is to identify one or more purchasers of and/or investors in the Company's Business and/or Property (each as defined herein).

3. Set forth below are the procedures (the "**SISP Procedures**") to be followed with respect to the SISP and, if there is a Successful Bid (as defined herein), to complete the transactions contemplated by the Successful Bid.

Defined Terms

4. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Initial Order. In addition, capitalized terms used but not otherwise defined in these SISP Procedures shall have the following meaning:

"**Certain Convertible Noteholders**" means that certain group of unaffiliated Convertible Noteholders.

"**Business Day**" means a day, other than a Saturday, Sunday, or a day on which banks in Calgary, Alberta are authorized or obligated by applicable law to close or otherwise are generally closed.

"**Consultation Parties**" means, as applicable in the circumstances, (a) the Monitor, (b) the Interim Financing Agent, (c) the First Lien Agent, and (d) Certain Convertible Noteholders, provided that (other than in the case of the Monitor) such parties are subject to confidentiality arrangements with the Company that are satisfactory to the Company and the Monitor.

"**Convertible Notes Claim Amount**" means the aggregate of all amounts owing to the holders of the 12% convertible second lien notes due 2018 (the "**Convertible Noteholders**") under an indenture dated May 8, 2015 between Connacher and Wilmington Trust, National Association, as trustee (the "**Convertible Note Trustee**").

"**Credit Bid**" means a bid for the purchase of some or all of the Property and/or an investment in the Company and its Business, pursuant to which the consideration offered includes an exchange for, and in full and final satisfaction of, all or a portion of a secured claim against the Company.

"**Interim Financing Agent**" means Wilmington Trust, National Association, as administrative agent for those certain lenders (the "**Interim Lenders**") under the Interim Financing Credit Agreement.

"**Interim Financing Claim Amount**" means the aggregate of all amounts owing under Interim Financing Credit Agreement.

"**Interim Financing Credit Agreement**" means the interim financing credit agreement between Connacher, the Interim Financing Agent and the Interim Lenders.

"**First Lien Claim Amount**" means the aggregate of all amounts owing under the first lien credit agreement dated May 23, 2014 between, among others, Connacher, the lenders party thereto (the "**First Lien Lenders**"), and Wilmington Trust National Association, as successor administrative agent for the lenders (the "**First Lien Agent**"), as amended by amendment no. 1 dated as of May 8, 2015, and all related loan documents.

"**Monitor**" means Ernst & Young Inc., in its capacity as Court-appointed monitor pursuant to the Initial Order, and not in its personal or corporate capacity.

Solicitation Process and Timeline

5. The SISP Procedures set forth herein describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Company, its business and operations (the "**Business**") and its assets, undertakings and properties (collectively, the "**Property**"), the manner in which a bid becomes a Qualified Phase I Bid or a Qualified Phase II Bid (each as defined herein), the receipt and negotiation of bids received, the ultimate selection of a Successful Bid, if any, and the approval thereof by the Court.

6. The Company shall implement these SISP Procedures with the assistance and supervision of the Monitor. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve any such dispute.

7. The following table sets out the key milestones under this SISP, subject to extension by the Company pursuant to and in accordance with these SISP Procedures:

Milestone	**Deadline**
Phase I Bid Deadline	June 30, 2016
Phase II Bid Deadline	July 27, 2016
Court Approval of Successful Bid(s)	August 8, 2016
Closing of Transaction(s)	August 31, 2016

Solicitation of Interest

8. As soon as practicable following the issuance of the Initial Order, the Monitor shall cause a notice of the SISP, substantially in the form attached at **Appendix "A"** hereto, to be published in the *Calgary Herald* and the *Daily Oil Bulletin*. At the same time, the Company shall issue a press release setting out relevant information from the notice with Canada Newswire designating dissemination in Canada and major financial centres in the United States.

9. A non-confidential teaser letter prepared by the Company ("**Teaser**") describing the opportunity to acquire or invest in Connacher or to acquire some, all or substantially all of the Property will be made available by the Monitor to prospective purchasers or prospective strategic or financial investors and will be posted on the Monitor's website as soon as practicable following the issuance of the Initial Order.

10. In order to participate in the SISP, each person (a "**Potential Bidder**") must deliver to the Company and the Monitor at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission), and prior to granting of access to the electronic data room containing confidential information concerning the Company, the Business and the Property (the "**Data Room**") and the distribution of any such confidential information by the Company or the Monitor

to a Potential Bidder, an executed confidentiality agreement in form and substance satisfactory to the Company and the Monitor, which shall inure to the benefit of any Successful Bidder that is a purchaser of the Property or an investor in the Company.

Phase I

11. All Potential Bidders that are parties to a confidentiality agreement with the Company in accordance with these SISP Procedures shall be deemed to be a qualified phase I bidder (a "**Qualified Phase I Bidder**") and will be promptly notified of such classification by the Monitor.

12. Qualified Phase I Bidders shall be provided with access to the Data Room and, if requested by the Qualified Phase I Bidder and deemed appropriate by the Company and the Monitor, a management presentation, together with such further information as the Company and the Monitor may deem appropriate. The Company and the Monitor make no representation or warranty as to the accuracy and completeness of the information contained in the Teaser or in the Data Room, except to the extent expressly provided in any definitive sale or investment agreement with a Successful Bidder executed and delivered by the Company (a "**Definitive Agreement**").

13. If requested by a Qualified Phase I Bidder, the Company shall arrange for a site visit by such Qualified Phase I Bidder, subject to compliance with health, safety and security measures reasonably required by the Company.

14. A Qualified Phase I Bidder, if it wishes to submit a bid, must deliver written copies of a non-binding letter of intent (a "**Phase I Bid**") to the Company and the Monitor at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission) so as to be received by them no later than 12:00 p.m. (Mountain Time) on June 30, 2016, or such other date or time as may be agreed by the Company and the Interim Financing Agent, in consultation with the other Consultation Parties (the "**Phase I Bid Deadline**").

15. A Phase I Bid will be deemed to be a "**Qualified Phase I Bid**" only if the Phase I Bid complies with all of the following:

(a) it includes:

(i) in the case of an offer to purchase the Business or any or all of the Property, a term sheet describing the terms and conditions of the proposed transaction, including identification of the Business or the Property (including any liabilities to be assumed) proposed to be acquired, the purchase price for the Business or Property proposed to be acquired expressed in Canadian dollars (the "**Purchase Price**"), and the structure and financing of the proposed transaction; or

(ii) in the case of an offer to make an investment in the Company, a term sheet describing the terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the pro forma capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Company, the debt, equity or other securities, if any, proposed to be allocated to any secured or unsecured creditors of the Company, and whether and what portion, if any, of the Interim Financing Claim Amount, the First Lien Claim Amount and the Convertible Notes Claim Amount is proposed to be paid on closing of the proposed transaction;

(b) it includes written evidence of the financial ability to consummate the proposed transaction that will allow the Company, in consultation with the Consultation Parties, to make a reasonable determination as to the Qualified Phase I Bidder's financial and other capabilities to consummate the transaction contemplated by the Phase I Bid;

(c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;

(d) it contains an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;

(e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;

(f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;

(g) it contains such other information as may reasonably be requested by the Company, the Monitor, or the Interim Financing Agent, in consultation with the other Consultation Parties; and

(h) it is received by the Phase I Bid Deadline.

16. Following the Phase I Bid Deadline, the Company shall distribute copies of the Phase I Bids received to the Consultation Parties. The Company, in consultation with the Consultation Parties, will assess the Phase I Bids received by the Phase I Bid Deadline and determine whether such bids constitute Qualified Phase I Bids. The Company, in consultation with the Consultation Parties, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase I Bids.

17. The Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, may reject any Phase I Bid if it is determined that such bid does not constitute a Qualified Phase I Bid, is otherwise inadequate or insufficient, or is otherwise contrary to the best interests of the Company and its creditors and other stakeholders.

18. If it is determined by the Company, with the consent of the Interim Financing Agent (unless one or more Qualified Phase I Bids are sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, that a party that has submitted a Qualified Phase I Bid (including where compliance with the bid requirements had been waived) has a bona fide interest in completing a transaction pursuant to these SISP Procedures and such bid has not been rejected pursuant to Section 17, then such party shall be deemed to be a "**Phase II Bidder**".

19. The Company or the Monitor shall notify (a) each party that submits a Phase I Bid in writing (including by email or fax transmission) as to whether such party has been determined to be a Phase II Bidder and therefore shall be permitted to proceed to Phase II, and (b) the other Consultation Parties of the list of Phase II Bidders, each within five (5) Business Days after the Phase I Bid Deadline.

20. The First Lien Agent, the Convertible Note Trustee, and each First Lien Lender and Convertible Noteholder shall notify the Company and the Monitor, in writing at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission) so as to be received by them no later than 12:00 p.m. (Mountain Time) on the date that is three (3) Business Days after receipt by such parties of the list of Phase II Bidders pursuant to Section 19, if such party intends to participate in Phase II of the SISP, including in connection with a potential Credit Bid. Failure to provide such notice shall render such party ineligible of participating in Phase II of the SISP, including in connection with a potential Credit Bid. Notwithstanding anything to the contrary in these SISP Procedures, if any of the First Lien Agent, the Convertible Note Trustee or any of the First Lien Lenders or Convertible Noteholders notifies the Company or the Monitor of its intention to participate in Phase II of the SISP, including in connection with a potential Credit Bid (such party, a "**Notifying Party**"), such Notifying Party and their legal and financial advisors shall not receive any further information concerning Phase II of the SISP, including any Phase II Bids (as defined herein), and shall not be entitled to any further consultation rights pursuant to these SISP Procedures.

<u>Phase II</u>

21. The Company, in consultation with the Consultation Parties, shall allow each Phase II Bidder such further access to due diligence materials and information, management presentations and site visits as the Company deems appropriate in its reasonable business judgement and subject to competitive and other business considerations.

22. A Phase II Bidder that wishes to make a formal offer to purchase or make an investment in the Company or its Property and Business shall submit a binding offer (a "**Phase II Bid**") to the Company and the Monitor at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission) so as to be received by them no later than 12:00 p.m. (Mountain Time) on July 27, 2016, or such other date or time as may be agreed by the Company and the Interim Financing Agent, in consultation with the other Consultation Parties (the "**Phase II Bid Deadline**"). Such Phase II Bid shall be a "**Qualified Phase II Bid**" (and such Phase II Bidder shall be a "**Qualified Phase II Bidder**") only if the Phase II Bid meets all of the following criteria:

(a) it complies with all of the requirements in respect of Qualified Phase I Bids, other than the requirements set out in Sections 15(c), 15(d) and 15(h);

(b) it includes a letter stating that the offer is irrevocable until the earlier of (i) the approval of a Successful Bid (as defined herein) by the Court in accordance with these SISP Procedures and (ii) thirty (30) calendar days following the Phase II Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;

(c) it includes written evidence of a firm commitment for all required financing, or other evidence of the financial ability to consummate the proposed transaction, that will allow the Company, in consultation with the Consultation Parties, to make a reasonable determination as to the Qualified Phase II Bidder's financial and other capabilities to consummate the transaction contemplated by the bid;

(d) it is not conditioned on (i) the outcome of unperformed due diligence and/or (ii) obtaining financing;

(e) it includes an acknowledgement and representation that the Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement;

(f) it includes evidence, in form and substance reasonably satisfactory to the Company and the Monitor, of authorization and approval from the Phase II Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

(g) except in the case of a Credit Bid, it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Company and the Monitor, payable to the order of the Monitor, in trust, (i) if the total consideration is quantifiable, in an amount equal to 10% of that total consideration in the Phase II Bid; or (ii) if the total consideration is unquantifiable, in an amount to be determined by the Company, in consultation with the Consultation Parties, which Deposit is to be held and dealt with in accordance with these SISP Procedures;

(h) the bid is in the form of duly authorized and executed transaction agreements, and in the case of:

  (i) a purchase proposal, the bid includes an executed Definitive Agreement, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Company), together with a blackline against the draft form of Definitive Agreement which shall be prepared by the Company and posted in the Data Room; and

  (ii) an investment proposal, the bid includes the draft transaction documents contemplated to effect the investment proposal, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Company);

(i) it contains such other information as may reasonably be requested by the Company, the Monitor, or the Interim Financing Agent, in consultation with the other Consultation Parties; and

(j) it is received by the Phase II Bid Deadline.

Selection of Successful Bid(s)

23. Following the Phase II Bid Deadline, the Company shall distribute copies of the Phase II Bids received to the Consultation Parties, subject to the terms of Section **Error! Reference source not found.**. The Company, in consultation with the Consultation Parties, will assess the Phase II Bids received by the Phase II Bid Deadline and determine whether such bids constitute Qualified Phase II Bids. The Company, in consultation with the Consultation Parties, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase II Bids. The Company, in consultation with the Consultation Parties, also reserves the right to (i) request that certain Qualified Phase II Bidders who have submitted Qualified Phase II Bids revisit their proposals in the event that multiple Qualified Phase II Bids are competitive, or (ii) commence an auction process with respect to multiple Qualified Phase II Bids, pursuant to procedures approved by the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, that shall be distributed to Qualified Phase II Bidders selected by the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, to participate in such auction at least five (5) Business Days in advance of the proposed start time for the auction.

24. The Company, with the consent of the Interim Financing Agent (unless one or more Qualified Phase II Bids are sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, shall determine the most favourable of the Qualified Phase II Bids (the "**Successful Bid**"). The Company, with the consent of the Interim Financing Agent (unless one or more Qualified Phase II Bids are sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, shall then proceed to negotiate and settle the terms and conditions of a Definitive Agreement in respect of a Successful Bid, all of which shall be conditional upon Court approval and also conditional on the Successful Bid closing within thirty (30) calendar days after the Bid Phase II Deadline, or such longer period as shall be agreed to by the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties. For greater certainty, the Company, with the consent of the Interim Financing Agent (unless any Successful Bid is sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, may select more than one Qualified Phase II Bid as a Successful Bid to the extent possible based on the nature of such Qualified Phase II Bids.

25. Once a Definitive Agreement has been negotiated and settled in respect of a Successful Bid, with the approval of the Interim Financing Agent (not to be unreasonably delayed or withheld), the person(s) who made the Successful Bid shall be the "**Successful Bidder**" hereunder.

26. The Company shall be under no obligation to accept the highest or best offer or any offer and the selection of a Successful Bidder pursuant to this SISP shall, subject to the terms hereof, otherwise be entirely in the discretion of the Company, after consultation with the Consultation Parties.

Court Approval

27. The Company shall apply to the Court (the "**Approval Motion**") for an order approving a Successful Bid and authorizing the Company to enter into a Definitive Agreement with the Successful Bidder and any and all necessary further instruments and agreements with respect to the Successful Bid, as well as an order, if applicable, vesting title to purchased property in the name of the Successful Bidder. The Approval Motion will be held on or about August 8, 2016

upon application by the Company and may be adjourned or rescheduled by the Company without further notice.

28. All Qualified Phase II Bids (other than a Successful Bid) shall be deemed rejected on and as of the date of approval of the Successful Bid by the Court.

Deposits

29. All Deposits shall be retained by the Monitor and deposited in a trust account. If there is a Successful Bid, the Deposit paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied to the Purchase Price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits of Qualified Phase II Bidders not selected as a Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court. If there are no Successful Bids, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which the SISP is terminated in accordance with these SISP Procedures.

Approvals

30. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA, or any other statute or as otherwise required at law in order to implement or complete a Successful Bid.

No Amendment

31. There shall be no amendments to this SISP, including for greater certainty the process and procedures set out herein, without the consent of the Company, the Interim Financing Agent and the Monitor, in consultation with the other Consultation Parties.

"As Is, Where Is"

32. Any sale of Property or any investment in the Company will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Company or the Monitor or any of their employees, agents or estates, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Company. Neither the Company nor the Monitor make any representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Data Room, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Company.

Free Of Any And All Claims And Interests

33. In the event of a sale of Property, to the extent permitted by law, all of the rights, title and interests of the Company in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests on or against the Property (collectively, the "**Claims and Interests**") pursuant to a Court order made under section 36(6) of the CCAA, such Claims and Interests to attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in a Definitive Agreement with a Successful Bidder.

34. An investment in the Company may include one or more of the following: a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of the Company as a going concern, a sale of all or some of the Property to a newly formed entity on terms contemplated in the above paragraph or a plan of compromise or arrangement pursuant

to the CCAA or any applicable corporate legislation which compromises the Claims and Interests as set out therein.

No Obligation to Conclude a Transaction

35. The Company has no obligation to agree to conclude a sale or investment arising out of the SISP, and it reserves the right and unfettered discretion to reject any offer or other proposal made in connection with the SISP. In addition, at any time during these SISP Procedures, the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, may determine to terminate these SISP Procedures, and shall provide notice of such a decision to any Qualified Phase I Bidders or Qualified Phase II Bidders, as applicable.

Further Orders

36. At any time during the SISP, the Monitor may, following consultation with the Company and the other Consultation Parties, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

Appendix "A"

Form of SISP Notice

Connacher Oil and Gas Limited

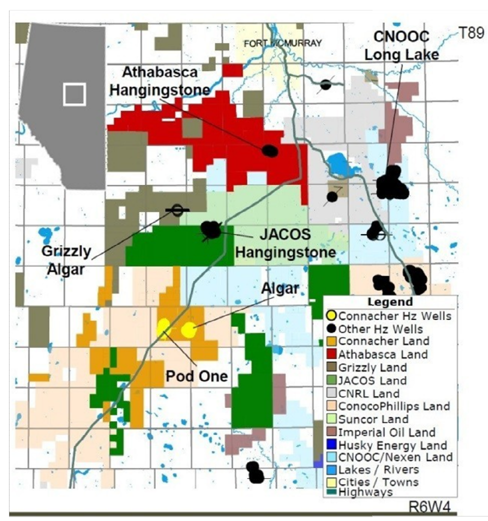
Oil Sands Assets for Sale

Connacher
OIL AND GAS LIMITED

On May [], 2016, Connacher Oil and Gas Limited ("Connacher") obtained court protection under the *Companies' Creditors Arrangement Act* ("CCAA") pursuant to an initial order granted by the Alberta Court of Queen's Bench. Ernst & Young Inc. was appointed as the Monitor (the "Monitor") of Connacher for the CCAA proceedings. Connacher and the Monitor are seeking parties interested in acquiring or investing in the business or the assets of Connacher.

Connacher's primary assets include a 100% working interest in 87,000 net acres of oil sands leases located southwest of Fort McMurray, Alberta, with estimated gross 2P reserves of 435,000 Mbbl. Connacher has two producing SAGD projects at Great Divide, Pod One and Algar, currently producing 8,000 bbl/d, with the opportunity for medium term development to increase capacity to 20,000 bbl/d. Pod One and Algar have been producing since 2008 and 2010, respectively.

- 41 SAGD well pairs (23 at Pod One, 18 at Algar), and 13 infill wells (Pod One);
- 435,000 Mbbl of 2P reserves (gross);
- 87,000 net acres of oil sands leases;
- Adjacent to Highway 63 and key infrastructure corridors; and
- ~40 year reserve life at current production rates.



The deadline for delivery of initial non-binding letters of intent is 12:00 p.m. (Mountain Time) on June 30, 2016

Interested parties are invited to contact the Monitor by phone or email or to go to the Monitor's website at www.ey.com/ca/connacheroilandgas for further information on Connacher's sale and investment solicitation process.

Ernst & Young Inc., in its capacity as Court-appointed Monitor of Connacher Oil and Gas Limited
2200, 215 2nd Street SW, Calgary, Alberta T2P 1M4
+1 403 206 5600
connacher.salesprocess@ca.ey.com

Appendix "B"

Addresses for Notices

If to the Company:

Connacher Oil and Gas Limited
Suite 900, 332 – 6 Avenue SW
Calgary, Alberta, Canada
T2P 0B2
Attention: Suzanne Loov
Email: SLoov@Connacheroil.com

With a copy to:

Cassels Brock & Blackwell LLP
1000 Bankers Hall West
888 3rd Street SW
Calgary, Alberta, Canada
T2P 5C5
Attention: Ryan Jacobs and Jeffrey Oliver
Email: rjacobs@casselsbrock.com and joliver@casselsbrock.com

If to the Monitor:

Ernst & Young Inc.
Suite 2200, 215 2Nd Street SW
Calgary, Alberta, Canada
T2P 1M4
Attention: Christopher Hibberd
Email: christopher.hibberd@ca.ey.com