

COURT FILE NO. 1601-06131

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT

**IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
CONNACHER OIL AND GAS LIMITED**

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

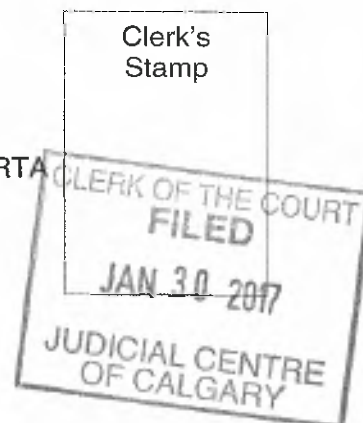
Cassels Brock & Blackwell LLP
Suite 1250, Millennium Tower
440 - 2nd Avenue SW
Calgary, Alberta T2P 5E9

Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver
Tel: 403-351-2920
Fax: 403-648-1151
skukulowicz@casselsbrock.com
rjacobs@casselsbrock.com
joliver@casselsbrock.com

AFFIDAVIT NO. 1 OF JEFF BEESTON
Sworn on January 30, 2017

I, Jeff Beeston, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Vice President Finance and Interim CFO of Connacher Oil and Gas Limited ("**Connacher**"). As such I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.
2. I make this Affidavit No. 1 in support of an application for an Order:
 - (a) authorizing and approving the Employee Severance Program (defined below); and



- (b) approving a settlement agreement dated January 26, 2017 ("**Settlement Agreement**") made between Connacher and Arundel Capital Corporation ("**Arundel**") and authorizing Connacher to perform its obligations thereunder.
3. I am advised by the Monitor and do verily believe that the Monitor supports this application. Further, I am advised by counsel for the Interim Financing Agent and the First Lien Agent (each as defined in the Initial Order) and do verily believe that the Interim Financing Agent and First Lien Agent also support this application.
4. Where I use capitalized terms in this Affidavit No. 1, but do not define them, I intend them to have the meaning given to them in the initial order granted by the Honourable Madam Justice Dario on May 17, 2016 ("**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**"). All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

I. STATUS OF CONNACHER'S CCAA PROCEEDING

5. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted Connacher the Initial Order, which provided for, among other things, a stay of proceedings up to and including June 16, 2016 (the "**Stay Period**").
6. The Stay Period has been extended a number of times, including most recently on January 12, 2017 by the Honourable Mr. Justice D.B. Nixon up to and including June 30, 2017.
7. As described in more detail in Affidavit No. 7 of Merle Johnson sworn on January 3, 2017 filed by Connacher in connection with the application heard on January 12, 2017, Connacher is in the process of identifying and implementing certain strategic transactions (including potential sale transactions, hedging, and other long-term contracts), while concurrently pursuing discussions with the Interim Lenders in an effort to develop and implement a viable exit from CCAA proceeding.
8. Connacher continues its operations in the ordinary course of business (subject to the terms of the Initial Order and its interim financing) while it is proceeding with its restructuring efforts.
9. Operating while under CCAA protection has created certain labour challenges for Connacher as it seeks to maintain an employee base that is commensurate with maintaining a production level that optimizes the economics of Connacher's reserves and maintains safety.
10. Connacher is in the process of implementing a number of different cost saving initiatives and in the event that these include any necessary staff reductions Connacher believes that it will benefit from having the ability to pay severance. Such authority, as necessary, will assist Connacher to maintain employee morale and address any retention issues, as well as assisting in Connacher's ability to offer competitive employment terms and attract high quality new hires.
11. Connacher currently has a higher percentage of contract-based staff than it would like, which results in higher turnover and lower productivity. Connacher would like the ability to offer permanent employment positions to certain of its contract workers. These individuals are highly skilled workers who will likely have access to other long-term employment opportunities, which includes the certainty of receiving severance in the event that their services are no longer required.

II. PROPOSED EMPLOYEE SEVERANCE PROGRAM

12. As a result of the foregoing, with the assistance of the Monitor and in consultation with the Interim Lenders, Connacher and its advisors have developed a proposed employee severance program (the "**Employee Severance Program**"), which is supported by the Monitor and the Interim Lenders.
13. Under the proposed Employee Severance Program, Connacher would pay employees, whose employment is terminated without cause, an amount equal to (i) two weeks' salary per year of service plus (ii) 6% of the total amount provided for in (i) to compensate for loss of benefits.
14. The proposed Employee Severance Program would only be payable or available to an employee if:
 - (a) the employee has not resigned, been terminated with cause, or, in the opinion of such employee's direct supervisor and/or Connacher's executive management team, failed to perform his/her duties and responsibilities diligently, faithfully and honestly;
 - (b) the employee's employment is terminated by Connacher in the ordinary course of business during the pendency of Connacher's CCAA proceeding, and not in connection with or following any (i) court-approved sale of all or substantially all of Connacher's business or assets, (ii) court-approved restructuring transaction implemented by Connacher, (iii) termination of the CCAA proceeding, or (iv) cessation of Connacher's operations; and
 - (c) the employee is not otherwise a beneficiary under the key-employee retention plan approved by this Honourable Court on November 14, 2016.
15. Connacher will only be permitted to make payments under the proposed Employee Severance Program with the consent of the Interim Lenders.
16. It should be noted that the amounts payable pursuant to the proposed Employee Severance Program are less than the amount of severance that Connacher would have typically paid terminated employees prior to the commencement of the CCAA proceeding to satisfy their statutory and common law entitlements. However, Connacher believes that the quantum of the proposed program reasonably balances the benefits of the program for Connacher and its employees with the interests of other stakeholders and creditors in the CCAA proceeding.
17. Connacher believes that the proposed Employee Severance Program is fair and reasonable in the circumstances, is in the best interests of Connacher and its stakeholders, and will assist to enhance the prospects of Connacher continuing to operate as a viable going concern while under CCAA protection and therefore enhance Connacher's ability to maximize value and ultimately emerge from CCAA.
18. In particular, the proposed Employee Severance Program will send a positive message to Connacher's staff, help to maintain company morale, assist with employee retention issues, and assist Connacher with the ability to hire highly qualified individuals when necessary during the course of its CCAA proceeding.
19. Connacher therefore respectfully requests that this Honourable Court approve and authorize the proposed Employee Severance Program as described above in the form of order attached to Connacher's application.

20. As noted above the Employee Severance Program is supported by the Monitor and Connacher's Interim Lenders.

III. ARUNDEL LEASES

21. Connacher and Arundel are parties to three Lease Agreements each dated February 8, 2016 (collectively, the "**Lease Agreements**") with respect to the lease by Arundel to Connacher of two used tandem (lead and rear) 2014 Polar Super-B TC407 Aluminum Tank Trailers and four used tandem (lead and rear) 2014 Tremcar Super-B TC407 Aluminum Tank Trailers (collectively, the "**Trailers**"). Copies of the Lease Agreements are attached at **Exhibit "A"** to this Affidavit No. 1.
22. At the time of Connacher's CCAA filing, five of the six Trailers remained under lease to Connacher. The sixth trailer had been in an accident prior to the CCAA filing resulting in a total loss of the Trailer. Arundel was paid in full in respect of the sixth Trailer from applicable insurance proceeds.
23. Connacher has not paid rent under the Lease Agreements since the granting of the Initial Order on the basis that Connacher and the Monitor believe that the Lease Agreements are "finance leases" and thus that post-CCAA filing payment is not required under the CCAA or currently permitted under the Initial Order.
24. Arundel recently informed Connacher that it disputes the characterization of the Lease Agreements as "finance leases" and has raised certain issues with respect to Connacher's continued use of the Trailers.
25. In addition, on or about November 27, 2016, one of the Trailers (being the 2014 Tremcar Super B TC407 Aluminum Tank Trailer lead bearing serial number 1T9BL4031ES588966 and the 2014 Tremcar Super B TC407 Aluminum Tank Trailer rear bearing serial number 1T9BL3123ES588967) (the "**Written Off Trailer**") was in an accident resulting in a total loss of the Written Off Trailer.
26. Connacher has been advised by its insurance company that proceeds of \$296,640.00 will be payable in connection with the Written Off Trailer (the "**Insurance Proceeds**").

IV. SETTLEMENT WITH ARUNDEL

27. With the assistance of the Monitor and its legal counsel, Connacher and Arundel (and their respective legal counsel) have engaged in extensive discussions concerning these matters and the disputes between Connacher and Arundel.
28. Those discussions have culminated in a settlement between Connacher and Arundel of all of the outstanding issues between the parties, which settlement is subject to (among other things) approval of this Honourable Court. The terms of the settlement are reflected in the Settlement Agreement, a copy of which is attached as **Exhibit "B"** to this Affidavit No. 1. The following is an overview of the key terms of the Settlement Agreement, which is intended as a summary only and does not supersede or vary the binding terms of the actual Settlement Agreement.
29. Pursuant to the Settlement Agreement and subject to the conditions described below and contained therein, Connacher and Arundel have agreed as follows:
- (a) Following receipt of the actual Insurance Proceeds, Connacher will pay Arundel the amount of \$170,307.00 from the Insurance Proceeds in full and final satisfaction of all of Connacher's past, current or future obligations and liabilities

in connection with the Written Off Trailer, and Connacher will retain the balance of the Insurance Proceeds;

- (b) Connacher will release the four remaining Trailers to Arundel and Arundel will take possession of same at its sole cost, expense and risk, in accordance with the terms of the Settlement Agreement;
 - (c) The Lease Agreements and all of Connacher's continuing obligations thereunder will be terminated upon the release of the remaining Trailers to Arundel; and
 - (d) Arundel will provide a broad full and final release of all claims, including in connection with Arundel's claims for unpaid rent under the Lease Agreements.
30. The Settlement Agreement is conditional upon:
- (a) Arundel directing that the Insurance Proceeds be paid directly to Connacher;
 - (b) receipt by Connacher of the Insurance Proceeds in the amount of not less than \$296,640.00 in immediately available funds (or such other amount as agreed by Connacher with the consent of the Interim Lenders); and
 - (c) approval of the Settlement Agreement by this Honourable Court.
31. Connacher believes that the terms of the Settlement Agreement are fair and reasonable and are in the best interest of Connacher and its stakeholders for the following reasons:
- (a) The settlement avoids potentially extensive and costly disputes and litigation over entitlement and application of the Insurance Proceeds. In particular, under the Settlement Agreement (i) Arundel will receive full payment of the outstanding financing on the Written Off Trailer in the amount of \$170,307.00 and (ii) Connacher will receive the balance of the Insurance Proceeds in the amount of \$126,333.00 and will have no further obligations or liabilities in connection with the Written Off Trailer. The proposed division of the Insurance Proceeds under the Settlement Agreement is consistent with the division of the insurance proceeds from the write-off of the sixth trailer prior to Connacher's CCAA filing and brings a final resolution to this issue.
 - (b) Connacher does not require the remaining Trailers in connection with its ongoing business operations, particularly given certain forthcoming changes being implemented by Connacher with respect to its transportation and trucking arrangements. Accordingly, the settlement provides that Connacher will release the remaining Trailers to Arundel in exchange for a broad full and final release of all claims against the Releasees (as defined in the Settlement Agreement), including a release of Arundel's claims for outstanding rent under the Lease Agreements in respect of the remaining Trailers. The settlement therefore also avoids potentially extensive and costly disputes and litigation over the post-CCAA filing payment of rent under the Lease Agreement and any issues concerning the continued use of the Trailers by Connacher, and fully releases the Releasees from all claims of Arundel.
32. The settlement between Connacher and Arundel has been approved by, and is supported by, the Monitor and the Interim Lenders (as defined in the Initial Order).
33. Connacher believes that the Settlement Agreement is a fair and commercially reasonable compromise in the circumstances and it is in the best interests of Connacher

and its ongoing CCAA proceedings that the terms contemplated thereunder are implemented.

34. Connacher therefore respectfully requests that this Honourable Court approve the Settlement Agreement and authorize Connacher to perform its obligations thereunder in the form of order attached to Connacher's application.

SWORN before me at the City of Calgary, in
the Province of Alberta,
on January 30, 2017.



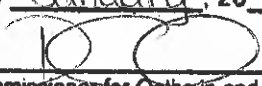
Commissioner for Oaths/Notary Public in
and for Alberta

Danielle S. Maréchal
Barrister and Solicitor



JEFF BEESTON

EXHIBIT A
LEASE AGREEMENTS

This is Exhibit "A"
referred to in the affidavit of
Jeff Beeston
sworn before me this 30
day of January, 20 17.

A Commissioner for Oaths in and for Alberta

Danielle S. Maréchal
Barrister and Solicitor



ARUNDEL

Lease Agreement

Customer's Full Legal Name (Lessor or Customer)
Connacher Oil and Gas Limited

Lease No.
103640-02

Contact Name / Title
Merle Johnson / Chief Executive Officer

Business Phone
(403) 538-6201

Home Phone

Cellular Phone
(403) 538-6201

Customer Address
Suite 900, 332 - 6th Avenue SW

City
Calgary

Province
Alberta

Postal Code
T2P 0B2

Vendor Information

Vendor Name
Sale & Lease Back

Vendor Contact Person

Vendor Address

Vendor Phone

Equipment Location Address

Equipment Location Address
13-642-12W4M Calgary, AB T2Z 0B3

Quantity	Description	Serial Number
1	Used 2014 Polar Super B TC407 Aluminum Tank Trailer Lead	1PMA34035E1042948
1	Used 2014 Polar Super B TC407 Aluminum Tank Trailer Rear	1PMA33120E1042568
1	Used 2014 Polar Super B TC407 Aluminum Tank Trailer Lead	1PMA34035E1042567
1	Used 2014 Polar Super B TC407 Aluminum Tank Trailer Rear	1PMA33127E1042569

Start Date
mm/dd/yyyy
2/08/16

Term
49

Payments
48

Start Date
March 8, 2016

Net Rental Pmts
\$4,997.87

GST/HST
\$349.89

PST
N/A

Total Rental Pmts
\$7,347.76

Early Purchase Option
The end of the Term's N/A calendar month.
\$_____ (plus taxes)
Purchase Option Date
The end of the Term's 48 calendar month.
Fair Market Value (plus taxes)
☒ \$750.00 (plus taxes)

This Lease shall not become binding upon Lessor until accepted as follows:

I hereby authorize Lessor to debit my bank account for the purpose of paying all regularly scheduled payments and all other amounts due to Lessor under the terms of this Lease, including amounts owing in the event of default

Lessor
Arundel Capital Corporation

Account #:

Signature:

Executed as Lessor By:

Attach Void Cheque

THE UNDERSIGNED ACKNOWLEDGES HAVING READ THE ENTIRE LEASE AGREEMENT AND ACCEPTS THE TERMS AND CONDITIONS INCLUDING THOSE ON PAGE 2 & 3 HEREOF.

Date of Lessor's Acceptance:

Date (mm/dd/yyyy)
2/08/16

Each of the undersigned affirms that they are duly authorized to execute this Lease on behalf of the Customer.

Date (mm/dd/yyyy)
2/08/16

Customer's Full Legal Name (Lessee(s))
Connacher Oil and Gas Limited

Signature:

Signature:

Signature:

Name: Merle Johnson

Name: Jeff Beeston

Name:

Name:

Title: Chief Executive Officer

Title: Vice President of Finance

Title:

Title:

Witness Signature:

Witness Signature:

Witness Signature:

Witness Signature:

Witness Name:

Witness Name:

Witness Name:

Witness Name:

In consideration of the covenants herein contained, including those on the reverse hereof, and other good and valuable consideration (the receipt and sufficiency of which is acknowledged), Lessor and Customer agree as follows:

1. Lease: Lessor hereby leases to Customer, and Customer hereby leases from Lessor, the equipment described in the Lease Details, together with any parts, accessories, replacements, additions and accessions, tangible or intangible, now and hereafter relating thereto or affixed thereon (collectively the "Equipment"). THIS LEASE CANNOT BE CANCELLED OR TERMINATED BY CUSTOMER.

2. Purchase Documents: If Customer has not issued a purchase order or entered into an agreement with Vendor to purchase the Equipment (a "Purchase Document"), Customer hereby agrees that Lessor may do so on Lessor's own behalf. If Customer has entered into a Purchase Document, Customer represents and warrants that title to the Equipment has not passed to Customer and, at Lessor's option, Customer shall assign to Lessor its rights under the Purchase Document to purchase the Equipment and to acquire any related license of software, information and documentation (a "License"). Except for the obligation to pay Vendor for the Equipment if (and only if) this Lease commences and is accepted by Lessor, Customer shall perform, satisfy and discharge all of the purchaser's obligations under any Purchase Document and License and any assignment by Customer to Lessor pursuant to this Section shall not include such obligations. The provisions of any Purchase Document or License do not modify Customer's obligations to Lessor hereunder.

3. Term: This Lease is for an original term (the "Term") commencing on the earlier of the Lease Commencement Date set out in the Delivery and Acceptance Certificate or, if Lessor waives a Delivery and Acceptance Certificate pursuant to Section 4, the Date of the Lessor's Acceptance set forth above and ending at the expiry of the number of complete calendar months indicated under the heading "Term" in the Lease Details.

4. Acceptance: Upon delivery and acceptance of the Equipment, Customer shall forthwith execute and deliver to Lessor a Delivery and Acceptance Certificate in form prescribed by Lessor unless Lessor, in its sole discretion, waives such execution and delivery by executing this Lease prior to the receipt of such certificate and after the delivery of the Equipment.

5. Equipment Selection: CUSTOMER HAS PERSONALLY SELECTED THE EQUIPMENT AND LESSOR HAS ACQUIRED THE EQUIPMENT AT CUSTOMER'S SPECIFIC REQUEST FOR THE PURPOSE OF LEASING IT. HERUNDER, CUSTOMER ACKNOWLEDGES THAT THE SUITABILITY OF THE EQUIPMENT AND ITS INSTALLATION AND DELIVERY IS CUSTOMER'S RESPONSIBILITY; THE FAILURE OF THE EQUIPMENT TO BE DELIVERED AND INSTALLED, TO OPERATE OR TO CONFORM TO CUSTOMER'S REQUIREMENTS SHALL NOT LESSEN CUSTOMER'S OBLIGATIONS HEREUNDER.

6. Rentals: Customer shall, without notice from or request by Lessor, pay to Lessor during the Term of this Lease the total number of rental payments set forth in the Lease Details. Such rental payment shall be



Lease Agreement

payable in advance to Lessor at the address indicated above (or other address notified by Lessor to Customer) as follows: first rental payment upon Customer's execution hereof and, commencing after the calendar period covered by such first rental payment subsequent rental payments throughout the Term on: (A) in the case of monthly payments, the first day of each month, whichever day is closer to the date the Lease commences, or (B) in the case of payments based on any other calendar period, on the first day of each such calendar period. Any amount paid by Customer prior to this Lease commencing which is in excess of such first rental payment shall be credited towards Customer's final rental payment(s) in reverse order of occurrence, without interest. RENTAL PAYMENTS AND ANY OTHER AMOUNTS DUE UNDER THIS LEASE ARE PAYABLE WITHOUT SET-OFF, COMPENSATION OR ABATEMENT AND IN NO EVENT SHALL THE FIRST RENTAL PAYMENT BE REFUNDED TO CUSTOMER.

7. Adjustments: The rental payment set forth above is based upon the purchase price for the Equipment and Lessor's cost of funds. If (but only if) an Estimated Purchase Price has been specified in a Financing Terms Addendum attached hereto and the final invoice from Vendor specifies a purchase price (including taxes, delivery, installation and other charges) (the "Purchase Price") that is greater or less than the Estimated Purchase Price, Customer authorizes Lessor to adjust the above rental payments to reflect the Purchase Price provided Customer receives notice of such adjustment; however, if the Purchase Price exceeds the Estimated Purchase Price by more than 10%, Lessor will notify Customer and obtain Customer's prior written approval to such adjustment (such approval not to be unreasonably withheld) and the Lease will not commence until such approval is obtained. If (but only if) a Latest Start Date is specified in a Financing Terms Addendum attached hereto and Lease for any reason commences after such Latest Start Date, this Lease shall nevertheless be binding and Customer authorizes Lessor in Lessor's sole discretion to adjust the above rental payments to reflect its cost of funds on the date this Lease commences and Lessor shall upon Customer's request, provide Customer with a copy of the completed description. If this Lease is adjusted by Customer prior to Lessor having a complete description of the Equipment, Customer hereby authorizes Lessor to complete such description provided Customer receives notice of such description. Any adjustment to rental payments or completion of an Equipment description made pursuant to this Section shall be deemed to have effect from the date Customer executes this Lease; if a Financing Terms Addendum is not executed and attached hereto, Lessor may not adjust the Net Rental Payments set forth above without Customer's prior written consent.

8. Interest on Overdue Payments: Customer shall without notice pay interest at the rate of Thirty percent (30%) per annum calculated and compounded monthly and not in advance, on: (A) any past due rental payments (B) any amounts which bear interest according to this Lease and (C) any other amounts due to Lessor hereunder which are not paid on their due dates; in each case from the date any such amount becomes due or interest bearing, before and after maturity, default and judgment, until such arrears or other amounts are paid in full.

9. Pre-Authorized Payments: Customer's Bank noted above is hereby authorized and directed to (A) debit Customer's account set forth above for all payments purporting to be drawn on Customer for payment to Lessor which are presented for payment by Lessor or Lessor's agent, and (B) make all such payments to Lessor or Lessor's agent from such account; such payments may be requested in the form of magnetic or computer-produced tape in which case such Bank is hereby authorized to treat them as signed by Customer. Customer agrees, in consideration of such Bank acting on this authorization, that such institution will not be liable for any loss or damage incurred as a result of honoring this authorization. If such account is transferred to another branch, this authorization shall be directed to such other branch. This authorization may not be revoked without Lessor's consent. Lessor is hereby irrevocably authorized to deliver a copy, details or further evidence of this authorization to such Bank. Customer hereby appointing Lessor its lawful attorney for such purpose. Such authorization may only be used by Lessor in respect of payments arising under this Lease, including payments arising under any Transaction Schedule to this Lease.

10. Installation, Maintenance and Repair: Customer shall, at its expense, be responsible for: (A) the delivery, installation, de-installation and redelivery of the Equipment and (B) the maintenance, upkeep, care, servicing and repair (including necessary replacements of parts) ("Maintenance") of the Equipment; in both cases by a party acceptable to Lessor. Customer shall at its expense keep the Equipment in good repair, condition and working order. Customer shall not without the prior written consent of Lessor make any alterations, additions or improvements to the equipment. All such alterations, additions or improvements shall be at Customer's expense and shall belong to, and become property of, Lessor immediately upon being made. On Lessor's request, Customer shall enter into a Maintenance agreement respecting the Equipment with the manufacturer thereof or other Maintenance supplier acceptable to Lessor.

11. Use: Customer shall use the Equipment in a careful and prudent manner and not for any unlawful purpose and shall at Customer's expense comply with and conform to the manufacturer's specifications and all applicable laws, regulations and ordinances (including laws, ordinances and regulations concerning environmental matters) relating to the possession, use or Maintenance of the Equipment. Customer shall only use the equipment in connection with its business and only for commercial, industrial, professional or handicraft purposes and shall not use the Equipment for any personal, family, household or farming purposes. The Lessee shall ensure that the Equipment is operated in a careful and proper manner by competent operators only.

12. Loss and Damage: Customer shall, until this Lease is terminated and Customer's obligations hereunder are discharged in full (including the return of the Equipment), bear the entire risk of loss, damage, destruction, theft, seizure or governmental taking of the Equipment or any part thereof (any such case being a "Loss"), regardless of whether it is caused by any default or neglect of Customer. No Loss shall relieve Customer of its obligations hereunder. Customer shall forthwith notify the Lessor of any loss or damage to the Equipment.

13. Title and Identification: The Equipment is and shall at all times be and remain the sole personal and moveable property of Lessor, shall not be affixed or attached to or otherwise become a fixture or accession to any lands, buildings or chattels and Customer shall have no right, title or interest in or to the Equipment except as expressly set forth herein. Customer shall not allow the equipment to become subject to any claim, privilege, lien, charge, encumbrance, levy, security interest, mortgage, pledge, hypothecation, seizure, trust, attachment, judicial process, ownership interest, license, sublease or other right in favor of any person (in any such case an "Encumbrance") unless such Encumbrance is caused by Lessor. At Lessor's request, Customer shall at Customer's expense affix and maintain on the Equipment, in a manner and in places satisfactory to Lessor, labels, plates or other marks supplied by Lessor to identify the equipment as the property of Lessor.

14. Location and Inspection: Customer shall maintain the Equipment at the Equipment Location specified in the Lease Details and shall not move the Equipment from such location. Lessor shall have the right to inspect the Equipment and Customer's Maintenance, insurance and tax records at any time.

15. Net Lease: ALL COSTS AND EXPENSES RELATING TO THE EQUIPMENT OR ITS USE, MAINTENANCE OR POSSESSION SHALL BE BORNE BY CUSTOMER, INCLUDING ALL TAXES AND ALL FEES, CHARGES, CLAIMS AND FINES INCURRED OR ARISING IN CONNECTION WITH THE REGISTRATION, LICENSING OR OPERATION OF THE EQUIPMENT. The rental payments and other amounts payable hereunder shall be absolutely net to Lessor, free of all expenses or outgoings of any kind or nature. If Customer fails to perform any of its obligations hereunder, Lessor may do so on Customer's behalf and shall be entitled to reimbursement from Customer, without prejudice to any other Lessor's rights or remedies, and Customer appoints Lessor its lawful attorney for such purposes.

16. Taxes: Customer shall pay all Taxes and file all returns in respect of Taxes immediately upon such Taxes or returns becoming due. "Taxes" includes all taxes, imposts, levies, fees, duties and charges now or hereafter imposed by any federal, provincial, municipal or other taxation authority on the Equipment, the equipment or the purchase, sale, ownership, possession, use, Maintenance, operation or lease of the payment of taxes), but excluding taxes on or measured by Lessor's overall net income. Lessor shall be entitled to claim any applicable capital cost allowance, investment tax credit or similar benefit under applicable tax legislation from time to time pertaining to the Equipment and/or the Lease and Customer shall not make any such claim in respect thereof.

17. Insurance: Customer shall, at its own expense, place and maintain, at its own expense, with insurers acceptable to Lessor: (a) Comprehensive all risks insurance on the Equipment in an amount at least equal to its full replacement value, such insurance to include: (i) Lessor as additional insured, (ii) a loss payable clause in favor of Lessor as first payee, and (iii) a waiver of subrogation in favor of Lessor; and (b) General public liability and property damage insurance with limits of liability equal to at least \$2,000,000 per occurrence (or such greater amount as Lessor may require from time to time), and such insurance shall: (i) extend to all liabilities of Customer arising out of its use or possession of Equipment; (ii) include Lessor as additional insured, and (iii) include a cross-liability provision which insures each person insured thereunder in the same manner and to the same extent as if a separate policy had been issued to each. All insurance policies shall contain endorsements providing that: (A) thirty days written notice shall be given to Lessor before a policy lapses or is materially altered or cancelled; (B) coverage shall be primary and not contributory; (C) Lessor's interest as additional insured shall not be invalidated or otherwise affected by any act or omission, deliberate, negligent or otherwise, of Customer or its agents, servants or employees (such as a "standard mortgage clause"); (D) Lessor shall not be responsible for payment of any premium; and (E) Lessor may elect to have all proceeds of loss payable only to itself. Customer shall, on request, supply Lessor with certified copies of all insurance policies or other evidence satisfactory to Lessor of satisfaction of these insurance covenants and evidence of renewal of the expiring policy must be delivered to the Lessor at least thirty (30) days prior to the expiration date. In the event of damage amounting to actual or constructive total loss of the Equipment, Lessor shall be entitled to retain from all insurance proceeds an amount equal to the total amount payable to Lessor by Customer hereunder as Liquidated Damages.

18. Failure to Insure: If Customer fails to fulfill its insurance obligations hereunder, then, without prejudice to Lessor's other rights and remedies, Lessor shall have the right, but not the obligation, to procure insurance covering Lessor's interest (but not Customer's interest) in the Equipment, in such form and amount and with such insurers (including an insurer affiliated with Lessor) as Lessor shall determine from time to time, all at Customer's expense. Such expense (the "Insurance Expense") shall include the full cost of acquiring such insurance (not reduced by any credit or refund or any other amount due or paid to Lessor with respect to Lessor's insurance) and any charges or fees for services associated with the placement, maintenance or service of such insurance, plus interest accruing on such expense at the interest rate provided herein for overdue amounts until such expense is reimbursed by Customer to Lessor. Customer shall pay the Insurance Expense to Lessor in equal installments at the same time and in the same manner as the remaining rental payments. Customer shall cooperate with Lessor's insurance agent in connection with the placement of such insurance and the processing of any claims. Nothing herein shall be deemed to obligate or entitle Lessor to act as an insurer hereunder or to arrange any insurance for the benefit of Customer. Nothing herein shall require Lessor to secure, maintain in force or renew any insurance, in any amounts or upon any specific terms and conditions. Lessor reserves the right to terminate any insurance coverage which Lessor may arrange, or allow same to lapse, without incurring any liability to Customer.

19. Representations: Customer represents, warrants and covenants throughout the Term that: (A) if Customer is a body corporate, it is and will continue to be validly incorporated (or otherwise established), organized and existing and in good standing; (B) it has all necessary power and authority to execute, deliver and perform this Lease, each such action (i) having been duly authorized by all necessary action of Customer, (ii) not in violation of any applicable law, the constituting documents, resolutions or by-laws of Customer or any indenture, instrument, agreement or undertaking to which it is a party or by which it or any of its assets are or may become bound, and not resulting in the creation of any Encumbrance on the Equipment; (C) this Lease is and will continue to be the legal, valid and binding obligation of Customer enforceable against it and effective against its creditors in accordance with its terms; (D) there are no pending or threatened actions or proceedings before any court, administrative agency or other tribunal that could have a material adverse effect on Customer; (E) financial statements and other related information furnished by Customer to Lessor are prepared in accordance with generally accepted accounting principles and fairly present Customer's financial position on their respective dates; and (F) to evidence the foregoing Customer shall provide legal opinions, resolutions and such other documents as Lessor may reasonably request.

20. Subleasing Etc.: Customer shall not sublet or part with possession or control of the Equipment or permit its use by any person other than Customer or employees of Customer who are qualified and competent to operate same. Neither this Lease nor Customer's rights hereunder shall be assigned by Customer except with Lessor's prior written consent and no assignment shall release Customer from its obligations hereunder.

21. Surrender: At the end of the Term or any renewal thereof, if Customer has not purchased the Equipment pursuant to a Section 29 Purchase Option, Customer, at Customer's expense and risk, shall surrender control of the Equipment to Lessor and shall: (A) after giving Lessor thirty days prior written notice, return the Equipment to Lessor at Lessor's nearest office or other place specified by Lessor or (B) if requested by Lessor, dispose of the Equipment as Lessor reasonably directs, including disposition in a manner which will avoid any dangerous use thereof or damage or injury to any person or property therefrom. Whenever Customer is required to return the Equipment to Lessor the Equipment shall be in good repair, condition and working order and Customer shall pay all costs of Maintenance and restoration of Equipment returned to Lessor, necessary to restore it to its condition on the date this Lease commenced, normal wear and tear excepted. Customer shall, if Lessor so requests, store the Equipment at Customer's risk and expense and as Lessor's bailee for a period of up to 90 days after the end of the term; Customer shall not use the Equipment or pay rental payments for the Equipment during such period but shall otherwise be bound by all of the terms of this Lease during such period.

22. Renewal: If Customer fails to surrender the Equipment at the end of the Term or any renewal thereof, or to purchase the same pursuant to a Section 29 Purchase Option, Customer shall be deemed to have requested a renewal of this Lease for a period of three (3) calendar months and Lessor may, in its sole discretion: (A) demand the surrender of the Equipment in compliance with Section 21 and exercise its rights and remedies for such non-compliance; or (B) accept Customer's request to renew this Lease for a three (3) month period commencing on the end of the Term or the last renewal thereof. Such acceptance may be evidenced in writing signed by Lessor or by Lessor continuing to invoice Customer, withdrawing rental payments pursuant to a pre-authorized payment plan or otherwise accepting rental payments in respect of such renewal period. Customer shall continue to have all of its obligations under this Lease during any such renewal period, including the obligation to pay Lessor rental payments, as it had during the Term and all provisions of this Lease shall apply to any such renewal term.

23. Entry: If Customer fails to surrender the Equipment to Lessor as required under this Lease, Lessor may, without notice to Customer or resort to legal process, but subject to any applicable law, enter any premises where the Equipment is located and take possession of and remove or disable such Equipment.

24. Indemnity: Customer hereby indemnifies Lessor and agrees to save Lessor harmless from and against all loss, costs, liabilities, claims, legal proceedings and expenses (including legal fees on a solicitor and his own client basis and costs) whatsoever arising in connection with this Lease, the Purchase Documents, any License, the manufacture, selection, purchase, ownership, delivery, possession, use, Maintenance, operation, loss or return of the equipment, Taxes, the recovery of claims under any insurance policy relating to the Equipment, any use or operation of Equipment which infringes any patent or other industrial or intellectual property right of any person, any Default by Customer, the exercise by Lessor of any rights or remedies hereunder or any entry or taking of possession, removal or disabling of Equipment pursuant to Section 23.

25. Defaults: Each of the following is a default by Customer (a "Default"): (a) Customer fails to make any rental payment or pay any other amounts due under this Lease within 3 days after the same is due and payable; or (b) Customer fails to perform, observe or comply with any other obligation, term or condition on its part to be performed, observed or complied with hereunder; or (c) Any event of default occurs under any other lease or contract between Lessor and Customer or under any material agreement between Customer and any other person; or (d) Any representation or warranty made by Customer to Lessor in or in connection with this Lease is incorrect; or (e) The Equipment or any part thereof is subjected to an Encumbrance not caused by Lessor; or (f) Customer sells or attempts to sell or grant an Encumbrance on any part of the Equipment or the value of Lessor's interest in the Lease is materially impaired due to loss or impairment of the Equipment; or (g) Customer becomes insolvent, commits any act of bankruptcy, takes any action to wind-up or discontinue, ceases or threatens to cease to do business as a going concern, is subject to a change in control in fact or in law or makes any arrangement or composition with its creditors; or (g) Any proceeding in bankruptcy, receivership, winding-up, dissolution, liquidation or insolvency is

Initial Here:	Initial Here:
Initial Here:	Initial Here:

Lease Agreement

commenced by or against Customer or its property; or (h) Lessor in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance by Customer under this Lease is or is about to be impaired or the Equipment is or is about to be placed in jeopardy; or (i) Any guarantor of Customer's obligations hereunder disputes its obligation under its guarantee or seeks to determine its obligations thereunder or to terminate its guarantee of Customer's future obligations or becomes subject to any of the events in clauses (b), (c), (d), (f) or (g) of this Section.

26. **Effect of Default; Damages:** A loss to Lessor upon a Default is dependent in part upon the cost of the Equipment and the amount of the reduction in rental expected by Lessor from the sale or re-lease of the Equipment at the end of the Term. Upon any Default and in addition to Lessor's other rights and remedies under this Lease and otherwise available to Lessor, Lessor shall be entitled to recover from Customer (without notice) to Lessor as a genuine pre-estimate of liquidated damages, and not as a penalty (and in addition to all other amounts owing under this Lease), an amount (the "Liquidated Damages") to the aggregate of: (i) Unpaid rental payments and other amounts payable hereunder unpaid as of the date of the Default, and (ii) The present value (calculated on the basis of an interest rate of three percent (3%) per annum calculated and compounded monthly) of: (A) the remaining rental payments payable from the date of Default to the end of the Term or, if applicable, any renewal thereof, and (B) amounts otherwise payable pursuant to the purchase option and the amount of any residual interest due to Lessor, and (C) the greater of the purchase price for the Equipment pursuant to any end of Term fair market value or fixed price in full; to the extent that the Liquidated Damages are deemed to include any Taxes, Lessor is required to pay the enforcement Costs incurred by Lessor, and (ii) interest thereon from the date of Default until payment to ensure that the net amount of the Liquidated Damages retained by Lessor after remitting all applicable Taxes will be equal to the amount calculated above; (b) Upon Lessor's demand, Customer shall immediately surrender control of the Equipment to Lessor pursuant to Section 21 as though the Term had expired; (c) Lessor may, immediately and without notice to Customer or resort to legal process, take possession of and remove or disable the Equipment pursuant to Section 23 as though Customer had failed to surrender such Equipment when required to do so; (d) The rights of Customer may by notice in writing terminate this Lease agreement and Lessor may have with Customer; (f) All rights and remedies of Lessor, either under this Lease or at law or in equity or otherwise afforded to Lessor, are cumulative and not alternative. Lessor's costs and expenses incurred as a result of Default ("enforcement Costs") (including all costs and expenses in respect of collection, legal fees, repossession, repair of Equipment, enforcement of Lessor's rights or remedies, sale or re-lease costs or other realization costs) shall be paid by Customer to Lessor forthwith upon demand, with interest accruing thereon from the date such costs and expenses were incurred until payment in full.

27. **Sale on Default:** Lessor may after a Default sell, re-lease or otherwise dispose of Equipment at public or private sale with or without notice to Customer and upon such terms and in such manner as Lessor may determine. Customer shall thereafter continue to be liable to Lessor for the amount of any deficiency between the proceeds to Lessor from such disposition and the Liquidated Damages. If at any time after a Default and prior to Lessor obtaining possession of the Equipment, Customer pays to Lessor the Liquidated Damages and all applicable Taxes, title to the Equipment shall vest in Customer on an "as is, where is" basis without any condition, representation or warranty of Lessor whatsoever.

28. **Effect of Waiver:** No delay in exercising, or failure to exercise, any right or remedy accruing to Lessor under this Lease will impair or waive such right or remedy, nor will a waiver of any single Default be deemed a waiver of any other prior, subsequent or concurrent Default. Any waiver, permit, consent or approval on the part of Lessor in respect of this Lease must be in writing and shall have effect only to the extent specifically set forth in such writing.

29. **Purchase Option:** In this Section (a) "Default" means any existing Default and any event or circumstance which, with the giving of notice or the lapse of time or both, would constitute a Default; and (b) "Fair Market Value" means the delivered and installed, all-inclusive, purchase-price for equipment in good repair in a sale between an arms length purchaser buying for its own use and a seller dealing in such equipment in the ordinary course of its business, as such purchase price is determined by the Lessor acting reasonably. Provided no Default exists, any Purchase Option set forth in the Lease Details may be exercised by the Customer; (i) giving Lessor written notice sixty (60) days prior to the Option Date of its election to exercise such option; and (ii) paying Lessor the Option Price, plus Taxes, at least thirty (30) days before the Option Date. After the giving of such notice and the making of such payment, provided no Default exists on the Option Date, Customer shall acquire Lessor's interest in the Equipment on the Option Date on an "as is, where is" basis without any condition, representation or warranty by Lessor of any kind whatsoever except that the Customer acquires such interest from Lessor free of Encumbrances caused by Lessor.

38. **Customer's Waiver:** TO THE EXTENT NOT PROHIBITED BY LAW OR STATUTE, CUSTOMER HEREBY WAIVES THE BENEFIT OF ALL PROVISIONS OF ALL APPLICABLE CONDITIONAL SALES, REGULATORY, CREDIT AND OTHER STATUTES AND ALL REGULATIONS MADE THEREUNDER IN ANY APPLICABLE JURISDICTION WHICH WOULD IN ANY MANNER AFFECT, RESTRICT OR LIMIT THE RIGHTS AND REMEDIES OF LESSOR HEREUNDER, including, without limiting the generality of the foregoing, all of Customer's rights, benefits and protections given or afforded by the provisions of The Limitation of Civil Rights Act of Saskatchewan, as amended. Customer also waives and assigns to Lessor the right of any statutory exemption from execution or otherwise and further waives any right to demand security for costs in the event of litigation.

31. **Lessor Warranty:** Lessor warrants that on the date this Lease commences it is the owner of the Equipment, free and clear of any Encumbrance caused by Lessor, save for Customer's liens hereunder. Except as otherwise explicitly set forth herein, but without affecting Lessor's warranties set forth in any other agreement (all of which Customer acknowledges do not affect or impair this Lease), Lessor makes no warranty or representation whatsoever as to the durability, quality or condition of the Equipment or its suitability for Customer's purposes or as to any other matter whatsoever (including the state of the Lease and any tax or accounting classification purposes). No representation to Customer as to the Equipment or any other matter by the Vendor or any supplier or manufacturer of the Equipment shall in any way affect Customer's obligations under this Lease. At the request and expense of Customer and where there is no Default, Lessor will (A) assign to Customer (for the Term and all warranties, guarantees, service and assistance Customer obtains under the Lease) given to Lessor by the Vendor or a manufacturer or supplier of the Equipment with respect to the Equipment ("Equipment Rights") which are assignable at law; and (B) Equipment Rights to Lessor without any further action. If Equipment Rights are assigned to Customer, Lessor obtains possession or control of the Equipment or if there is a Default, Customer shall be deemed to have immediately reassigned such Equipment Rights to Lessor. **LESSOR SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE, WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL, CAUSED BY THE EQUIPMENT OR THE USE, MAINTENANCE OR POSSESSION THEREOF, BY THE INADEQUACY OF THE EQUIPMENT RIGHTS OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE OF THE EQUIPMENT OR FOR ANY LOSS OF BUSINESS OR DAMAGE WHATSOEVER AND HOWSOEVER CAUSED.**

32. **Assignment:** This Lease and all rights, remedies and benefits of Lessor hereunder may be assigned by Lessor without notice to or the consent of Customer and Customer hereby accepts such assignments and waives significance of the act of assignment and the delivery of a copy of any assignment document. Upon such assignment (A) the assignee (the "Assignee") shall be entitled to enforce the rights and remedies and to receive all benefits which would otherwise accrue to the original Lessor under this Lease; (B) the Assignee shall be deemed to have purchased all such rights, remedies and benefits; (C) the Assignee shall have no obligation to Customer to perform any of the obligations of the original Lessor hereunder; or otherwise in respect of the Equipment or any other obligations which are retained by the original Lessor; and (D) Customer's rights hereunder as against the original Lessor shall be unaffected except as herein specifically provided. Customer agrees not to assert against the Assignee any claim by way of abatement, defense, set-off, compensation, counterclaim or the like which Customer may have against the original Lessor. The Customer shall co-operate with the Lessor and any Assignee to facilitate any assignment. Upon notice of an assignment Customer shall unconditionally pay to such Assignee all rental payments and other amounts due hereunder and shall not assert any defense against such Assignee in any action for rental payments or other amounts due and payable hereunder, except the defence of payment to the Assignee.

3.3. Credit Investigation: Subject to applicable legislation, Customer hereby consents to Lessor conducting a credit investigation of Customer and to Lessor making inquiries with financial institutions or other persons in a business relationship with Customer in connection therewith; Customer hereby authorizes and directs such persons to answer Lessor's inquiries. Customer agrees to furnish to Lessor: (A) a copy of its interim financial statements and other related information, as Lessor may request from time to time; and (B) its annual financial statements, audited if applicable, within ninety days of the end of each financial year.

3d. **Security Interests:** To Secure Customer's performance of its obligations hereunder Customer grants Lessor a continuing security interest in any interest Customer has in the Equipment, in all proceeds thereof (including proceeds of insurance) and in any rental payments receivable on any sublease permitted by Lessor; Customer agrees that Lessor has all rights of a secured party under any applicable personal property security legislation and at law and in equity. To the extent this Lease creates a security interest, such security interest is a purchase money security interest (as the terms "security interest" and "purchase money security interest" are used in the Personal Property Security Act (Alberta) and shall be interpreted with similar effect under analogous legislation in force in any other relevant jurisdiction. In this Lease the term "security interest" includes a right to future rents and royalties.

35. Fees: Lessor shall be entitled to charge Customer such fees and other charges as it may establish from time to time for the administration of and ancillary matters to this Lease, including a fee of \$25.00 for each security registration required in connection with this Lease and such fees for invoices as Lessor may from time to time establish.

36. Name Change, etc.: Customer shall promptly notify Lessor in writing of (A) any change in Customer's name; (B) any transfer, authorized or unauthorized, by Customer of any interest in or benefit from the Equipment; (C) any change, authorized or unauthorized, by Customer in the location of any Equipment; and (D) any change in the location of Customer's chief executive office specified above.

38. **Additional Equipment.** Lessor and Customer may from time to time agree to lease additional equipment pursuant to these Terms & Conditions and the above Customer Information and Invoice Option and each such agreement shall be evidenced by a written schedule referencing this initial lease (a "Transaction Schedule"), signed by Customer and Lessor and setting forth the particulars of such equipment lease and the terms of such lease, including the above Lease Details and any amendments to the Customer Information or Terms & Conditions which are applicable to that transaction. The Transaction Schedules shall be incorporated by reference into the above Lease Details and shall apply to the subsequent transactions but the Terms & Conditions, Invoice Option and Customer Information of this Lease are not incorporated by reference into each Transaction Schedule. Each Transaction Schedule shall constitute a separate lease and the entire agreement with respect to that transaction. shall be deemed to be "Lease" to which the Terms & Conditions, Invoice Option and Customer Information shall not terminate as a result of the termination or expiry of any other Lease made pursuant to these Terms and Conditions. The terms of any Transaction Schedule evidencing a specific transaction shall prevail over these Terms & Conditions and the above Customer Information to the extent of any conflict or inconsistency but only in respect of that transaction.

39. **Entire Agreement:** This Lease (including (A) all details set forth above in the Customer Information, Lease Details and Invoice Option and in these Terms & Conditions and (B) any schedule, addendum or amendment to this Lease which is in writing, references this Lease and is signed by Customer and Lessor at any time) constitutes the entire agreement between Lessor and Customer with respect to its subject matter.

40. Applicable Law: This Lease shall be construed according to the laws of the Province of Alberta.

11. **Enurement:** Subject to the terms hereof, this Lease shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, permitted assigns and legal representatives.

32. **Interpretation:** Whenever the context of this Lease so requires, the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders. Time is of the essence of this Lease and each of its provisions. Headings are for convenience of reference only and do not affect the interpretation. Terms used in the Customer Information or Lease Details have, when used in these Terms & Conditions, unless the context otherwise requires, the meaning ascribed thereto by such use. The word "including" means "including without limitation"

3. Notices: Any notice required or permitted to be given hereunder must be in writing and will conclusively be deemed to have been received by its recipient on the business day it is delivered or sent by facsimile transmission to a party at the address indicated on the first page hereof (or at such other address as such party specifies to the other party in writing), or, if sent by registered mail, provided there is no interruption in postal services, on the fifth business day after the day of mailing, addressed to such party at such address.

14. **Severability:** Any provision of this Lease prohibited by or unlawful or unenforceable under any applicable law shall, at the sole option of Lessor, be ineffective without invalidating the remaining provisions of this Lease; provided, however, that to the extent that the provisions of any such applicable law can be waived, they are hereby waived by Customer.

15. **Further Assurances:** Customer agrees to do all things and execute or obtain all documents as may be required by Lessor in order to give effect to or better evidence this Lease including the execution of financing statements or other documents to effect security registrations to protect Lessor's interests, any acknowledgements required by any Assignee and any waivers or subordinations from Customer's landlords or creditors.

16. **Language:** The parties hereby acknowledge that they have required this Lease, and all other agreements and notices required or permitted to be entered into or given pursuant hereto, to be drawn up in the English language only. Les parties reconnaissent avoir demandé que le présent contrat ainsi que toute autre entente ou avis requis ou permis à être conclu ou donné en vertu des dispositions du présent contrat, soient rédigés en langue anglaise seulement.

17. **Survival:** Notwithstanding any other sections hereof, all obligations of Customer under sections 2,8,10,12,13,15,16,19,21,22,23,24,25,26,27,30,31,32,34 and 35 hereof and the rights and remedies of Lessor hereunder shall survive the termination of this Lease and the receipt of all rental payments and other amounts payable by Customer hereunder.

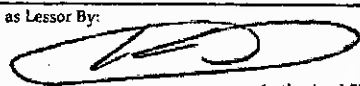
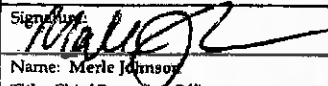
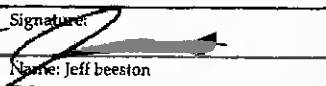
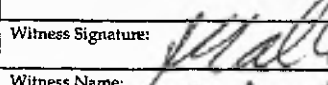
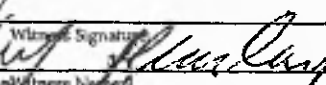
19. Receipt of Copy, Etc.: Customer acknowledges receipt of a true copy of this Lease and waives, to the extent permitted by applicable law, all rights to receive copies of financing statements, financing change statements, verification statements or copies of other notices or filings made by Lessor at any time in connection with this Lease, any schedule thereto, any amendment thereof or any Transaction Schedule.

Initial Here: 	Initial Here: 
---	---

Initial Here: 	Initial Here: 
Initial Here:	Initial Here: 



Lease Agreement

Customer's full Legal Name (Lessee or Customer) Connacher Oil and Gas Limited				Lease No. 103640-03			
Contact Name / Title Merle Johnson / Chief Executive Officer		Business Phone (403) 538-6201		Home Phone		Cellular Phone (403) 538-6201	
Customer Address Suite 900, 332 - 6th Avenue SW				City Calgary		Province Alberta	
				Postal Code T2P 0B2			
Vendor Name Sale & Lease Back						Vendor Contact Person	
Vendor Address						Vendor Phone	
Equipment Location Address 13-16-82-12W4M Calgary, AB T2P 0B2							
Quantity	Description			Serial Number			
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Lead			1T9BLA030E588960			
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Rear			1T9BL3122E588961			
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Lead			1T9BLA034E588962			
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Rear			1T9BL3126E588963			
Start Date mm/dd/yy 2/08/16	Term 49	# Pmts 48	Start Date March 8, 2016	Net Rental Pmts \$6,997.87	GST/HST \$349.89	FST N/A	Total Rental Pmts \$7,347.76
Payment Freq. Monthly				Early Purchase Option The end of the Term's N/A calendar month. \$ (plus taxes) Purchase Option Date The end of the Term's 49 calendar month. Fair Market Value (plus taxes) ☒ \$750.00 (plus taxes)			
This Lease shall not become binding upon Lessor until accepted as follows:							
Lessor Arundel Capital Corporation				I hereby authorize Lessor to debit my bank account for the purpose of paying all regularly scheduled payments and all other amounts due to Lessor under the terms of this Lease, including amounts owing in the event of default			
Executed as Lessor By:  Authorized Signature				Account #: Attach Void Cheque Signature: 			
Date of Lessor's Acceptance:				Date (mm/dd/yy) 2/08/16		Each of the undersigned affirms that they are duly authorized to execute this Lease on behalf of the Customer.	
Customer's Full Legal Name (Lessee(s)): Connacher Oil and Gas Limited				Date (mm/dd/yy) 2/08/16			
Signature: 		Signature: 		Signature:		Signature:	
Name: Merle Johnson		Name: Jeff Beeston		Name:		Name:	
Title: Chief Executive Officer		Title: Vice President of Finance		Title:		Title:	
Witness Signature: 		Witness Signature: 		Witness Signature:		Witness Signature:	
Witness Name: Jessica Macaulay		Witness Name: Jessica Macaulay		Witness Name:		Witness Name:	

In consideration of the covenants herein contained, including those on the reverse hereof, and other good and valuable consideration (the receipt and sufficiency of which is acknowledged), Lessor and Customer agree as follows:

1. Lease: Lessor hereby leases to Customer, and Customer hereby leases from Lessor, the equipment described in the Lease Details, together with any parts, accessories, replacements, additions and accessions, tangible or intangible, now and hereafter relating thereto or affixed thereon (collectively the "Equipment"). THIS LEASE CANNOT BE CANCELLED OR TERMINATED BY CUSTOMER.
2. Purchase Documents: If Customer has not issued a purchase order or entered into an agreement with Vendor to purchase the Equipment (a "Purchase Document"), Customer hereby agrees that Lessor may do so on Lessor's own behalf. If Customer has entered into a Purchase Document, Customer represents and warrants that title to the Equipment has not passed to Customer and, at Lessor's option, Customer shall assign to Lessor its rights under the Purchase Document to purchase the Equipment and to acquire any related license of software, information and documentation (a "License"). Except for the obligation to pay Vendor for the equipment if (and only if) this Lease commences and is accepted by Lessor, Customer shall perform, satisfy and discharge all of the purchaser's obligations under any Purchase Document and License and any assignment by Customer to Lessor pursuant to this Section shall not include such obligations. The provisions of any Purchase Document or License do not modify Customer's obligations to Lessor hereunder.
3. Term: This Lease is for an original term (the "Term") commencing on the earlier of the Lease Commencement Date set out in the Delivery and Acceptance Certificate or, if Lessor waives a Delivery and Acceptance Certificate pursuant to Section 4, the Date of the Lessor's Acceptance set forth above and ending at the expiry of the number of complete calendar months indicated under the heading "Term" in the Lease Details.
4. Acceptance: Upon delivery and acceptance of the Equipment, Customer shall forthwith execute and deliver to Lessor a Delivery and Acceptance Certificate in form prescribed by Lessor unless Lessor, in its sole discretion, waives such execution and delivery by executing this Lease prior to the receipt of such certificate and after the delivery of the Equipment.
5. Equipment Selection: CUSTOMER HAS PERSONALLY SELECTED THE EQUIPMENT AND LESSOR HAS ACQUIRED THE EQUIPMENT AT CUSTOMER'S SPECIFIC REQUEST FOR THE PURPOSE OF LEASING IT HEREUNDER. CUSTOMER ACKNOWLEDGES THAT THE SUITABILITY OF THE EQUIPMENT AND ITS INSTALLATION AND DELIVERY IS CUSTOMER'S RESPONSIBILITY. THE FAILURE OF THE EQUIPMENT TO BE DELIVERED AND INSTALLED, TO OPERATE OR TO CONFORM TO CUSTOMER'S REQUIREMENTS SHALL NOT LESSEN CUSTOMER'S OBLIGATIONS HEREUNDER.
6. Rentals: Customer shall, without notice from or request by Lessor, pay to Lessor during the Term of this Lease the total number of rental payments set forth in the Lease Details. Such rental payment shall be

payable in advance to Lessor at the address indicated above (or other address notified by Lessor to Customer) as follows: first rental payment upon Customer's execution hereof and, commencing after the calendar period covered by such first rental payment subsequent rental payments throughout the Term on: (A) in the case of monthly payments, the first day or the fifteenth day of each month, whichever day is closer to the date the Lease commences; or (B) in the case of payments based on any other calendar period, on the first day of each such calendar period. Any amount paid by Customer to Lessor prior to this Lease commencing which is in excess of such first rental payment shall be credited towards Customer's final rental payment(s) in reverse order of occurrence, without interest. RENTAL PAYMENTS AND ANY OTHER AMOUNTS DUE UNDER THIS LEASE ARE PAYABLE WITHOUT SET-OFF, COMPENSATION OR ABATEMENT AND IN NO EVENT SHALL THE FIRST RENTAL PAYMENT BE REFUNDED TO CUSTOMER.

7. **Adjustments:** The rental payment set forth above is based upon the purchase price for the Equipment and Lessor's cost of funds. If (but only if) an Estimated Purchase Price has been specified in a Financing Terms Addendum attached hereto and the final invoice from Vendor specifies a purchase price (including taxes, delivery, installation and other charges) (the "Purchase Price") that is greater or less than the Estimated Purchase Price, Customer authorizes Lessor to adjust the above rental payments to reflect the Purchase Price provided Customer receives notice of such adjustment; however, if the Purchase Price exceeds the Estimated Purchase Price by more than 10%, Lessor will notify Customer and obtain Customer's prior written approval to such adjustment (such approval not to be unreasonably withheld) and the Lease will not commence until such approval is obtained. If (but only if) a Latest Start Date is specified in a Financing Terms Addendum attached hereto and Lease for any reason commences after such Latest Start Date, this Lease shall nevertheless be binding and Customer authorizes Lessor in Lessor's sole discretion to adjust the above rental payments to reflect its cost of funds on the date this Lease commences and Lessor shall upon Customer's request, provide Customer with a copy of the completed description. Any adjustment to rental payment or completion of an Equipment description made pursuant to this Section shall be deemed to have effect from the date Customer executes this Lease; if a Financing Terms Addendum is not executed and attached hereto, Lessor may not adjust the Net Rental Payments set forth above without Customer's prior written consent.

8. **Interest on Overdue Payments:** Customer shall without notice pay interest at the rate of Thirty percent (30%) per annum calculated and compounded monthly and not in advance, on: (A) any past due rental payments (B) any amounts which bear interest according to this Lease and (C) any other amounts due to Lessor hereunder which are not paid on their due dates; in each case from the date any such amount becomes due or interest bearing, before and after maturity, default and judgment, until such arrears or other amounts are paid in full.

9. **Pre-Authorized Payments:** Customer shall authorize and direct to (A) debit Customer's account set forth above for all payments purporting to be drawn on Customer for payment to Lessor which are presented for payment by Lessor or Lessor's agent, and (B) make all such payments to Lessor or Lessor's agent from this authorization, that such institution will not be liable for any loss or damage incurred as a result of honoring this authorization. If such account is transferred to another branch, this authorization shall be directed to such other branch. This authorization may not be revoked without Lessor's consent. Lessor is hereby irrevocably authorized to deliver a copy, details or further evidence of this authorization to such Bank, Customer hereby appointing Lessor its lawful attorney for such purpose. Such authorization may only be used by Lessor in respect of payments arising under this Lease, including payments arising under any Transaction Schedule to this Lease.

10. **Installation, Maintenance and Repair:** Customer shall, at its expense, be responsible for: (A) the delivery, installation, de-installation and redelivery of the Equipment and (B) the maintenance, upkeep, care, servicing and repair (including necessary replacements of parts) ("Maintenance") of the Equipment; in both cases by a party acceptable to Lessor. Customer shall at its expense keep the Equipment in good repair, condition and working order. Customer shall not without the prior written consent of Lessor make any alterations, additions or improvements to the equipment. All such alterations, additions or improvements shall be at Customer's expense and shall belong to, and become property of, Lessor immediately upon being made. On Lessor's request, Customer shall enter into a Maintenance agreement respecting the Equipment with the manufacturer thereof or other Maintenance supplier acceptable to Lessor.

11. **Use:** Customer shall use the Equipment in a careful and prudent manner and not for any unlawful purpose and shall at Customer's expense comply with and conform to the manufacturer's specifications and all applicable laws, ordinances and regulations (including laws, ordinances and regulations concerning environmental matters) relating to the possession, use or Maintenance of the Equipment. Customer shall only use the equipment in connection with its business or in the carrying on of an enterprise and only for commercial, industrial, professional or handicraft purposes and shall not use the Equipment for any personal, family, household or farming purposes. The Lessee shall ensure that the Equipment is operated in a careful and proper manner by competent operators only.

12. **Loss and Damage:** Customer shall, until this Lease is terminated and Customer's obligations hereunder are discharged in full (including the return of the Equipment), bear the entire risk of loss, damage, destruction, theft, seizure or governmental taking of the Equipment or any part thereof (any such case being a "Loss"), regardless of whether it is caused by any default or neglect of Customer. No Loss shall relieve Customer of its obligations hereunder. Customer shall forthwith notify the Lessor of any loss or damage to the Equipment.

13. **Title and Identification:** The Equipment is and shall at all times be and remain the sole personal and moveable property of Lessor, shall not be affixed or attached to or otherwise become a fixture or accession to any lands, buildings or chattels and Customer shall have no right, title or interest in or to the Equipment except as expressly set forth herein. Customer shall not allow the equipment to become subject to any claim, privilege, lien, charge, encumbrance, levy, security interest, mortgage, pledge, hypothecation, seizure, trust, attachment, judicial process, ownership interest, license, sublease or other right in favor of any person (in any such case an "Encumbrance") unless such Encumbrance is caused by Lessor. At Lessor's request, Customer shall at Customer's expense affix and maintain on the Equipment, in a manner and in places satisfactory to Lessor, labels, plates or other marks supplied by Lessor to identify the equipment as the property of Lessor.

14. **Location and Inspection:** Customer shall maintain the Equipment at the Equipment Location specified in the Lease Details and shall not move the Equipment from such location. Lessor shall have the right to inspect the Equipment and Customer's Maintenance, insurance and tax records at any time.

15. **Net Lease:** ALL COSTS AND EXPENSES RELATING TO THE EQUIPMENT OR ITS USE, MAINTENANCE OR POSSESSION SHALL BE BORNE BY CUSTOMER, INCLUDING ALL TAXES AND ALL FEES, CHARGES, CLAIMS AND FINES INCURRED OR ARISING IN CONNECTION WITH THE REGISTRATION, LICENSING OR OPERATION OF THE EQUIPMENT. The rental payments and other amounts payable hereunder shall be absolutely net to Lessor, free of all expenses or outgoings of any kind or nature. If Customer fails to perform any of its obligations hereunder, Lessor may do so on Customer's behalf and shall be entitled to immediate reimbursement from Customer without prejudice to any other Lessor's rights or remedies, and Customer appoints Lessor its lawful attorney for such purposes.

16. **Taxes:** Customer shall pay all Taxes and file all returns in respect of Taxes immediately upon such Taxes or returns becoming due. "Taxes" includes all taxes, imposts, levies, fees, duties and charges now or hereafter imposed by any federal, provincial, municipal or other taxation authority on Customer, the Equipment or the purchase, sale, ownership, delivery, possession, use, Maintenance, operation or lease of the Equipment or on Lessor in respect of any of the foregoing (including sales excise, use, property, business, transfer, goods and services and value added taxes and including penalties or interest based on late payment of taxes), but excluding taxes on or measured by Lessor's overall net income. Lessor shall be entitled to claim any applicable capital cost allowance, investment tax credit or similar benefit under applicable tax legislation from time to time pertaining to the Equipment and/or the Lease and Customer shall not make any such claim in respect thereof.

17. **Insurance:** Customer shall, at its own expense, place and maintain, at its own expense, with insurers acceptable to Lessor: (a) Comprehensive all risks insurance on the Equipment in an amount at least equal to its full replacement value, such insurance to include: (i) Lessor as additional insured, (ii) a loss payable clause in favor of Lessor as first payee, and (iii) a waiver of subrogation in favor of Lessor; and (b) General public liability and property damage insurance with limits of liability equal to at least \$2,000,000 per occurrence (or such greater amount as Lessor may require from time to time), and such insurance shall: (i) extend to all liabilities of Customer arising out of its use or possession of the Equipment; (ii) include Lessor as an additional insured; and (iii) include a cross-liability provision which insures each person insured thereunder in the same manner and to the same extent as if a separate policy had been issued to each. All insurance policies shall contain endorsements providing that: (A) thirty days written notice shall be given to Lessor before a policy lapses or is materially altered or cancelled; (B) coverage shall be primary and not contributory; (C) Lessor's interest as additional insured shall not be invalidated or otherwise affected by any act or omission, deliberate, negligent or otherwise, of Customer or its agents, servants or employees (such as a "standard mortgage clause"); (D) Lessor shall not be responsible for payment of any premium; and (E) Lessor may elect to have all proceeds of loss payable only to itself. Customer shall, on request, supply Lessor with certified copies of all insurance policies or other evidence satisfactory to Lessor of satisfaction of these insurance covenants and evidence of renewal of the expiring policy must be delivered to the Lessor at least thirty (30) days prior to the expiration date. In the event of damage amounting to actual or constructive total loss of the Equipment, Lessor shall be entitled to retain from all insurance proceeds an amount equal to the total amount payable to Lessor by Customer hereunder as Liquidated Damages.

18. **Failure to Insure:** If Customer fails to fulfill its insurance obligations hereunder, then, without prejudice to Lessor's other rights and remedies, Lessor shall have the right, but not the obligation, to procure insurance covering Lessor's interest (but not Customer's interest) in the Equipment in such form and amount and with such insurers (including an insurer affiliated with Lessor) as Lessor shall determine from time to time, all at Customer's expense. Such expense (the "Insurance Expense") shall include the full cost of acquiring such insurance (not reduced by any credit or refund or any other amount due or paid to Lessor with respect to Lessor's insurance) and any charges or fees for services associated with the placement, maintenance or service of such insurance, plus interest accruing on such expense at the interest rate provided herein for overdue amounts until such expense is reimbursed by Customer to Lessor. Customer shall pay the Insurance Expense to Lessor in equal installments at the same time and in the same manner as the remaining rental payments. Customer shall cooperate with Lessor's insurance agent in connection with the placement of such insurance and the processing of any claims. Nothing herein shall be deemed to obligate or entitle Lessor to act as an insurer hereunder or to arrange any insurance for the benefit of Customer. Nothing herein shall require Lessor to secure, maintain in force or renew any insurance, in any amounts or upon any specific terms and conditions. Lessor reserves the right to terminate any insurance coverage which Lessor may arrange, or allow same to lapse, without incurring any liability to Customer.

19. **Representations:** Customer represents and warrants to Lessor that: (A) it is a duly organized, validly incorporated, and in good standing; (B) it has all necessary power and authority to execute, deliver and perform this Lease, each such action (i) having been duly authorized by all necessary action of Customer, (ii) not being in conflict with any applicable law, the constituting documents, resolutions or by-laws of Customer or any indenture, instrument, agreement or undertaking to which it is a party or by which it or any of its assets are or may become bound, and (iii) not resulting in the creation of any Encumbrance on the Equipment; (C) this Lease is and will continue to be the legal, valid and binding obligation of Customer enforceable against it and effective against its creditors in accordance with its terms; (D) there are no pending or threatened actions or proceedings before any court, administrative agency or other tribunal that could have a material adverse effect on Customer; (E) financial statements and other related information furnished by Customer to Lessor are prepared in accordance with generally accepted accounting principles and fairly present Customer's financial position on their respective dates; and (F) to evidence the foregoing Customer shall provide legal opinions, resolutions and such other documents as Lessor may reasonably request.

20. **Subleasing Etc.:** Customer shall not sublet or part with possession or control of the Equipment or permit its use by any person other than Customer or employees of Customer who are qualified and competent to operate same. Neither this Lease nor Customer's rights hereunder shall be assigned by Customer except with Lessor's prior written consent and no assignment shall release Customer from its obligations hereunder.

21. **Surrender:** At the end of the Term or any renewal thereof, if Customer has not purchased the Equipment pursuant to a Section 29 Purchase Option, Customer, at Customer's expense and risk, shall surrender control of the Equipment to Lessor and shall: (A) after giving Lessor thirty days prior written notice, return the Equipment to Lessor at Lessor's nearest office or other place specified by Lessor; or (B) if requested by Lessor, dispose of the Equipment as Lessor reasonably directs, including disposition in a manner which will avoid any dangerous use thereof or damage or injury to any person or property therefrom. Whenever Customer is required to return the Equipment to Lessor the Equipment shall be in good repair, condition and working order and Customer shall pay all costs of Maintenance and restoration of Equipment returned to Lessor, necessary to restore it to its condition on the date this Lease commenced, normal wear and tear excepted. Customer shall, if Lessor so requests, store the Equipment at Customer's risk and expense and as Lessor's bailee for a period of up to 90 days after the end of the term; Customer shall not use the Equipment or pay rental payments for the Equipment during such period but shall otherwise be bound by all of the terms of this Lease during such period.

22. **Renewal:** If Customer fails to surrender the Equipment at the end of the Term or any renewal thereof, or to purchase the same pursuant to a Section 29 Purchase Option, Customer shall be deemed to have requested a renewal of this Lease for a period of three (3) calendar months and Lessor may, in its sole discretion: (A) demand the surrender of the Equipment in compliance with Section 21 and exercise its rights and remedies for such non-compliance or (B) accept Customer's request to renew this Lease for a three (3) month period commencing on the end of the Term or the last renewal thereof. Such acceptance may be evidenced in writing signed by Lessor or by Lessor continuing to invoice Customer, withdrawing rental payments pursuant to a pre-authorized payment plan or otherwise accepting rental payments in respect of such renewal period. Customer shall continue to have all of its obligations under this Lease during any such renewal period, including the obligation to pay Lessor rental payments, as it had during the Term and all provisions of this Lease shall apply to any such renewal term.

23. **Entry:** If Customer fails to surrender the Equipment to Lessor as required under this Lease, Lessor may, without notice to Customer or resort to legal process, but subject to any applicable law, enter any premises where the Equipment is located and take possession of and remove or disable such Equipment.

24. **Indemnity:** Customer hereby indemnifies Lessor and agrees to save Lessor harmless from and against all loss, costs, liabilities, claims, legal proceedings and expenses (including legal fees on a solicitor and its own client basis and costs) whatsoever arising in connection with this Lease, the Purchase Documents, any License, the Equipment, the manufacture, selection, purchase, ownership, delivery, possession, use, Maintenance, operation, loss or return of the equipment, Taxes, the recovery of claims under any insurance policy relating to the Equipment, any use or operation of Equipment which infringes any patent or other industrial or intellectual property right of any person, any Default by Customer, the exercise by Lessor of any rights or remedies hereunder or any entry or taking of possession, removal or disabling of Equipment pursuant to Section 23.

25. **Defaults:** Each of the following is a default by Customer (a "Default"): (a) Customer fails to make any rental payment or pay any other amounts due under this Lease within 3 days after the same is due and payable; or (b) Customer fails to perform, observe or comply with any other obligation, term or condition on its part to be performed, observed or complied with hereunder; or (c) Any event of default occurs under any other lease or contract between Lessor and Customer or under any material agreement between Customer and any other person; or (d) Any representation or warranty made by Customer to Lessor in or in connection with this Lease is incorrect; or (e) The Equipment or any part thereof is subjected to an Encumbrance caused by Lessor, Customer sells or attempts to sell or grant an Encumbrance on any part of the Equipment or the value of Lessor's interest in the Equipment is materially impaired due to Loss; or (f) Customer makes any assignment for the benefit of its creditors, becomes insolvent, commits any act of bankruptcy, takes any action to wind-up or dissolve, ceases or threatens to cease to do business as a going concern, is subject to a change in control in fact or in law or seeks any arrangement or composition with its creditors; or (g) Any proceeding in bankruptcy, receivership, winding-up, dissolution, liquidation or insolvency is

Initial Here: 	Initial Here: 
Initial Here: 	Initial Here: 



Lease Agreement

commenced by or against Customer or its property; or (h) Lessor in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance by Customer under this Lease is or is about to be impaired by the Equipment is or is about to be placed in jeopardy; or (i) Any guarantor of Customer's obligations hereunder disputes its obligation under its guarantee or seeks to determine its obligations thereunder or to terminate its guarantee of Customer's future obligations or becomes subject to any of the events in clauses (b), (c), (d), (f) or (g) of this Section.

26. Effect of Default; Damages: A loss to Lessor upon a Default is dependent in part upon the cost of the Equipment to Lessor, the Term and the minimum return expected by Lessor from the sale or re-lease of the Equipment at the end of the Term. Upon any Default and in addition to Lessor's other rights and remedies under this Lease, an amount (the "Liquidated Damages") equal to the aggregate of: (i) Unpaid rental payments and other amounts payable hereunder unpaid as of the date of the Default, and (ii) The present value (calculated on the basis of an interest rate of three percent (3%) per annum calculated and compounded monthly) of: (A) the remaining rental payments payable from the date of Default to the end of the Term or, if applicable, any renewal thereof, and (B) amounts otherwise payable under the Lease to the end of the Term, or, if applicable, any renewal thereof, and (C) the greater of the purchase price for the Equipment pursuant to any end of Term fair market value or fixed price purchase option and the amount of any residual interest which Lessor may have in Equipment, and (ii) any Enforcement Costs incurred by Lessor, and (iii) interest thereon from the date of Default until payment in full; to the extent that the Liquidated Damages are deemed to include any Taxes which Lessor is required to remit to any taxation authority the Liquidated Damages shall be increased by the amount necessary to ensure that the net amount of the Liquidated Damages retained by Lessor after remitting all applicable Taxes will be equal to the amount calculated above; (b) upon Lessor's demand, Customer at Customer's expense shall forthwith surrender control of the Equipment to Lessor pursuant to Section 21 as though the Term had expired; (c) Lessor may, immediately and without notice to Customer or resort to legal process take possession of and remove or disable the Equipment pursuant to Section 23 as though Customer had failed to surrender such Equipment when required to do so; (d) The rights of Customer hereunder in respect of the Equipment, including the right to use and possess the Equipment, shall cease and terminate absolutely without limiting Customer's liability or obligations hereunder; and (e) Lessor may by notice in writing terminate this Lease or any other agreement Lessor may have with Customer; (f) All rights and remedies of Lessor, either under this Lease or at law or in equity or otherwise afforded to Lessor, are cumulative and not alternative. Lessor's costs and expenses incurred as a result of a Default ("Enforcement Costs") (including all costs and expenses in respect of collection, legal fees, repossession, repair of Equipment, enforcement of Lessor's rights or remedies, sale or re-lease costs or other realization costs) shall be paid by Customer to Lessor forthwith upon demand, with interest accruing thereon from the date such costs and expenses were incurred until payment in full.

27. Sale on Default: Lessor may after a Default sell, re-lease or otherwise dispose of Equipment at public or private sale with or without notice to Customer and upon such terms and in such manner as Lessor may determine. Customer shall thereafter continue to be liable to Lessor for the amount of any deficiency between the proceeds to Lessor from such disposition and the Liquidated Damages. If at any time after a Default and prior to Lessor obtaining possession of the Equipment, Customer pays to Lessor the Liquidated Damages and all applicable Taxes, title to the Equipment shall vest in Customer on an "as is, where is" basis without any condition, representation or warranty of Lessor whatsoever.

28. Effect of Waiver: No delay in exercising, or failure to exercise, any right or remedy accruing to Lessor under this Lease will impair or waive such right or remedy, nor will a waiver of any single Default be deemed a waiver of any other prior, subsequent or concurrent Default. Any waiver, permit, consent or approval on the part of Lessor in respect of this Lease must be in writing and shall have effect only to the extent specifically set forth in such writing.

29. Purchase Option: In this Section (a) "Default" means any existing Default and any event or circumstance which, with the giving of notice or the lapse of time or both, would constitute a Default; and (b) "Fair Market Value" means the delivered and installed, all-inclusive, purchase price for equipment in good repair in a sale between an arms length purchaser buying for its own use and a seller dealing in such equipment in the ordinary course of its business, as such purchase price is determined by the Lessor acting reasonably. Provided no Default exists, any Purchase Option set forth in the Lease Details may be exercised by the Customer; (i) giving Lessor written notice sixty (60) days prior to the Option Date of its election to exercise such option; and (ii) paying Lessor the Option Price, plus Taxes, at least thirty (30) days before the Option Date. After the giving of such notice and the making of such payment, provided no Default exists on the Option Date, Customer shall acquire Lessor's interest in the Equipment on the Option Date on an "as is, where is" basis without any condition, representation or warranty by Lessor of any kind whatsoever except that the Customer acquires such interest from Lessor free of Encumbrances caused by Lessor.

30. Customer's Waiver: TO THE EXTENT NOT PROHIBITED BY LAW OR STATUTE, CUSTOMER HEREBY WAIVES THE BENEFIT OF ALL APPLICABLE CONDITIONAL SALES, REGULATORY, CREDIT AND OTHER STATUTES AND ALL REGULATIONS MADE THEREUNDER IN ANY APPLICABLE JURISDICTION WHICH WOULD IN ANY MANNER AFFECT, RESTRICT OR LIMIT THE RIGHTS AND REMEDIES OF LESSOR HEREUNDER, including, without limiting the generality of the foregoing, all of Customer's rights, benefits and protections given or afforded by the provisions of the Limitation of Civil Rights Act of Saskatchewan, as amended. Customer also waives and assigns to Lessor the right of any statutory exemption from execution or otherwise and further waives any right to demand security for cost in the event of a Default.

31. Lessor Warranties: Lessor warrants that on the date this Lease commences it is the owner of the Equipment, free and clear of any Encumbrance caused by Lessor, save for Customer's rights hereunder. Except as otherwise explicitly set forth herein, but without affecting Lessor's warranties set forth in any other agreement (all of which Customer acknowledges do not affect or form part of this Lease), Lessor makes no warranty or representation whatsoever as to the durability, quality or condition of the Equipment or its suitability for Customer's purposes or as to any other matter whatsoever (including status of this Lease for tax or accounting classification purposes). No representation to Customer as to the Equipment or any other matter by the Vendor or any supplier or manufacturer of the Equipment shall in any way affect Customer's obligations under this Lease. At the request and expense of Customer and while there is no Default, Lessor will (A) assign to Customer for the Term any and all warranties, guarantees, service contracts, licenses and representations given to Lessor by the Vendor or a manufacturer or supplier of the Equipment with respect to the Equipment ("Equipment Rights") which are assignable at law; and (B) assist Customer in receiving the benefit of such Equipment Rights. If Lessor obtains possession or control of the Equipment or if there is a Default, Customer shall be deemed to have immediately reassigned such Equipment Rights to Lessor without any further action. If Equipment is located in the Province of Quebec, Lessor hereby conveys to Customer any warranty which the Vendor or a manufacturer or supplier of such Equipment gave to Lessor. LESSOR SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE, WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL, CAUSED BY THE EQUIPMENT OR THE USE, MAINTENANCE OR POSSESSION THEREOF, BY THE INADEQUACY OF THE EQUIPMENT RIGHTS OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE OF THE EQUIPMENT OR FOR ANY LOSS OF BUSINESS OR DAMAGE WHATSOEVER AND HOWSOEVER CAUSED.

32. Assignment: This Lease and all rights, remedies and benefits of Lessor hereunder may be assigned by Lessor without notice to or the consent of Customer and Customer hereby accepts such assignments and waives significance of the act of assignment and the delivery of a copy of any assignment document. Upon such assignment: (A) the assignee (the "Assignee") shall be entitled to enforce the rights and remedies and to receive all benefits which would otherwise accrue to the original Lessor under this Lease; (B) the Assignee shall be deemed to be Lessor for the purpose of all such rights, remedies and benefits; (C) the Assignee shall have no obligation to Customer to perform any of the obligations of the original Lessor hereunder or otherwise in respect of the Equipment, all of which are retained by the original Lessor; and (D) the Customer's rights hereunder against the original Lessor shall be unaffected except as herein specifically provided. Customer agrees not to assert against the Assignee any claim by way of abatement, defense, set-off, compensation, counterclaim or the like which Customer may have against the original Lessor. The Customer shall co-operate with the Lessor and any Assignee to facilitate any assignment. Upon notice of an assignment Customer shall unconditionally pay to such Assignee all rental payments and other amounts due hereunder and shall not assert any defense against such Assignee in any action for rental payments or other amounts due and payable hereunder, except the defence of payment to the Assignee.

33. Credit Investigation: Subject to applicable legislation, Customer hereby consents to Lessor conducting a credit investigation of Customer and to Lessor making inquiries with financial institutions or other persons in a business relationship with Customer in connection therewith; Customer hereby authorizes and directs such persons to answer Lessor's inquiries. Customer agrees to furnish to Lessor (A) a copy of its interim financial statements and other related information, as Lessor may request from time to time; and (B) its annual financial statements, audited if applicable, within ninety days of the end of each financial year.

34. Security Interests: To Secure Customer's performance of its obligations hereunder Customer grants Lessor a continuing security interest in any interest Customer has in the Equipment, in all proceeds thereof (including proceeds of insurance) and in its rental payments receivable on any sublease permitted by Lessor; Customer agrees that Lessor has all rights of a secured party under any applicable personal property security legislation and at law and in equity. To the extent this Lease creates a security interest, such security interest is a purchase money security interest (as the terms "security interest" and "purchase money security interest" are used in the Personal Property Security Act (Alberta) and shall be interpreted with similar effect under analogous legislation in force in any other relevant jurisdiction. In this Lease the term "security interest" includes a movable hypothec without delivery.

35. Fees: Lessor shall be entitled to charge Customer such fees and other charges as it may establish from time to time for the administration of and ancillary matters to this Lease, including a fee of \$25.00 for each security registration required in connection with this Lease and such fees for invoices as Lessor may from time to time establish.

36. Name Change, etc.: Customer shall promptly notify Lessor in writing of: (A) any change in Customer's name; (B) any transfer, authorized or unauthorized, by Customer of any interest in or benefit from the Equipment; (C) any change, authorized or unauthorized, by Customer in the location of any Equipment; and (D) any change in the location of Customer's chief executive office specified above.

37. Information: Customer agrees that Lessor may provide copies of this Lease and/or information concerning Customer and its obligations hereunder to any person.

38. Additional Equipment: Lessor and Customer may from time to time agree to lease additional equipment pursuant to these Terms & Conditions and the above Customer Information and Invoice Option and each such agreement shall be evidenced by a written schedule referencing this initial lease (a "Transaction Schedule"), signed by Customer and Lessor and setting forth the particulars of such equipment lease transaction including the matters addressed by the above Lease Details and including any amendments to the Customer Information or Terms & Conditions which are applicable to that transaction. The particulars of the initial transaction set forth in the above Lease Details shall not apply to subsequent transactions but the Terms & Conditions, Invoice Option, and Customer Information of this Lease are incorporated by reference into each Transaction Schedule and shall apply mutatis mutandis, to the transaction specified in such Transaction Schedule; such Customer Information, Terms & Conditions, Invoice Option and each Transaction Schedule shall constitute a separate lease and the entire agreement with respect to that transaction, shall be deemed to be a "Lease" to which these Terms & Conditions refer and shall not terminate as a result of the termination or expiry of any other Lease made pursuant to these Terms and Conditions. The terms of any Transaction Schedule evidencing a specific transaction shall prevail over these Terms & Conditions and the above Customer Information to the extent of any conflict or inconsistency but only in respect of that transaction.

39. Entire Agreement: This Lease (including (A) all details set forth above in the Customer Information, Lease Details and Invoice Option and in these Terms & Conditions and (B) any schedule, addendum or amendment to this Lease which is in writing, references this Lease and is signed by Customer and Lessor at any time) constitutes the entire agreement between Lessor and Customer with respect to its subject matter.

40. Applicable Law: This Lease shall be construed according to the laws of the Province of Alberta.

41. Enforcement: Subject to the terms hereof, this Lease shall ensure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, permitted assigns and legal representatives.

42. Interpretation: Whenever the context of this Lease so requires, the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders. Time is of the essence of this Lease and each of its provisions. Headings are for convenience of reference only and do not affect the interpretation. Terms used in the Customer Information or Lease Details have, when used in these Terms & Conditions, unless the context otherwise requires, the meaning ascribed thereto by such use. The word "including" means "including without limitation".

43. Notices: Any notice required or permitted to be given hereunder must be in writing and will conclusively be deemed to have been received by its recipient on the business day it is delivered or sent by facsimile transmission to a party at the address indicated on the first page hereof (or at such other address as such party specifies to the other party in writing) or, if sent by registered mail, provided there is no interruption in postal services, on the fifth business day after the day of mailing, addressed to such party at such address.

44. Severability: Any provision of this Lease prohibited by or unlawful or unenforceable under any applicable law shall, at the sole option of Lessor, be ineffective without invalidating the remaining provisions of this Lease; provided, however, that to the extent that the provisions of any such applicable law can be waived, they are hereby waived by Customer.

45. Further Assurances: Customer agrees to do all things and execute or obtain all documents as may be required by Lessor in order to give effect to or better evidence this Lease including the execution of financing statements or other documents to effect security registrations to protect Lessor's interests, any acknowledgements required by any Assignee and any waivers or subordinations from Customer's landlords or creditors.

46. Language: The parties hereby acknowledge that they have required this Lease, and all other agreements and notices required or permitted to be entered into or given pursuant hereto, to be drawn up in the English language only. Les parties reconnaissent avoir demandé que le présent contrat ainsi que toute autre entente ou avis requis ou permis d'être conduit ou donné en vertu des dispositions du présent contrat, soient rédigés en langue anglaise seulement.

47. Survival: Notwithstanding any other sections hereof, all obligations of Customer under sections 2.8, 10, 12, 13, 15, 16, 19, 21, 22, 23, 24, 25, 26, 27, 30, 31, 32, 34 and 35 hereof and the rights and remedies of Lessor hereunder shall survive the termination of this Lease and the receipt of all rental payments and other amounts payable by Customer hereunder.

48. Joint and Several Liability: If more than one person executed this Lease, their obligations hereunder shall be joint and several and, in the Province of Quebec, solidary without benefit of division or discussion.

49. Receipt of Copy, Etc.: Customer acknowledges receipt of a true copy of this Lease and waives, to the extent permitted by applicable law, all rights to receive copies of financing statements, financing change statements, verification statements or copies of other notices or filings made by Lessor at any time in connection with this Lease, any schedule thereto, any amendment thereof or any Transaction Schedule.

Initial Here:	Initial Here:
Initial Here:	Initial Here:



Lease Agreement

Customer's Full Legal Name (Lessee or Customer) Connacher Oil and Gas Limited				Lease No. 103640-04	
Contact Name / Title Merle Johnson / Chief Executive Officer		Business Phone (403) 536-6201	Home Phone	Cellular Phone (403) 531-6297	
Customer Address Suite 900, 332 - 6th Avenue SW			City Calgary	Province Alberta	Postal Code T2P 0B2
Vendor Name Sale & Lease Back				Vendor Contact Person	
Vendor Address				Vendor Phone	
Equipment Location Address 13-16-82-12W4M Calgary, AB T2P 0B2					
Quantity	Description			Serial Number	
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Lead			1T9BL4038ES588964	
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Rear			1T9BL312XES588965	
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Lead			1T9BL4031ES588966	
1	Used 2014 Tremcar Super B TC407 Aluminum Tank Trailer Rear			1T9BL3123ES588967	
Start Date mm/dd/yy 2/08/16	Term 49	# Pmts 48	Start Date March 8, 2016	Net Rental Pmts \$6,997.87	GST/ST PST \$349.89 N/A
				Total Rental Pmts \$7,347.76	Early Purchase Option The end of the Term's N/A calendar month. \$ (plus taxes) Purchase Option Date The end of the Term's 49 calendar month. Fair Market Value (plus taxes) ☒ \$750.00 (plus taxes)
Payment Freq. Monthly					
This Lease shall not become binding upon Lessor until accepted as follows:					
Lessor Arundel Capital Corporation			Account #: Signature: 		
Executed as Lessor By: Authorized Signature			Attach Void Cheque THE UNDERSIGNED ACKNOWLEDGES HAVING READ THE ENTIRE LEASE AGREEMENT AND ACCEPTS THE TERMS AND CONDITIONS INCLUDING THOSE ON PAGE 2 & 3 HEREOF.		
Date of Lessor's Acceptance:		Date (mm/dd/yy) 2/08/16		Date (mm/dd/yy) 2/08/16	
Customer's Full Legal Name (Lessee(s)): Connacher Oil and Gas Limited					
Signature: 		Signature: 		Signature:	
Name: Merle Johnson Title: Chief Executive Officer		Name: Jeff Booston Title: Vice President of Finance		Name: Title:	
Witness Signature: 		Witness Signature: 		Witness Signature:	
Witness Name: Sandra Macaulay		Witness Name: Sandra Macaulay		Witness Name:	

In consideration of the covenants herein contained, including those on the reverse hereof, and other good and valuable consideration (the receipt and sufficiency of which is acknowledged), Lessor and Customer agree as follows:

- Lease:** Lessor hereby leases to Customer, and Customer hereby leases from Lessor, the equipment described in the Lease Details, together with any parts, accessories, replacements, additions and accessions, tangible or intangible, now and hereafter relating thereto or affixed thereon (collectively the "Equipment"). THIS LEASE CANNOT BE CANCELLED OR TERMINATED BY CUSTOMER.
- Purchase Document:** If Customer has not issued a purchase order or entered into an agreement with Vendor to purchase the Equipment (a "Purchase Document"), Customer hereby agrees that Lessor may do so on Lessor's own behalf. If Customer has entered into a Purchase Document, Customer represents and warrants that title to the Equipment has not passed to Customer and, at Lessor's option, Customer shall assign to Lessor its rights under the Purchase Document to purchase the Equipment and to acquire any related license of software, information and documentation (a "License"). Except for the obligation to pay Vendor for the Equipment if (and only if) this Lease commences and is accepted by Lessor, Customer shall perform, satisfy and discharge all of the purchaser's obligations under any Purchase Document and License and any assignment by Customer to Lessor pursuant to this Section shall not include such obligations. The provisions of any Purchase Document or License do not modify Customer's obligations to Lessor hereunder.
- Term:** This Lease is for an original term (the "Term") commencing on the earlier of the Lease Commencement Date set out in the Delivery and Acceptance Certificate or, if Lessor waives a Delivery and Acceptance Certificate pursuant to Section 4, the Date of the Lessor's Acceptance set forth above and ending at the expiry of the number of complete calendar months indicated under the heading "Term" in the Lease Details.
- Acceptance:** Upon delivery and acceptance of the Equipment, Customer shall forthwith execute and deliver to Lessor a Delivery and Acceptance Certificate in form prescribed by Lessor unless Lessor, in its sole discretion, waives such execution and delivery by executing this Lease prior to the receipt of such certificate and after the delivery of the Equipment.
- Equipment Selection:** CUSTOMER HAS PERSONALLY SELECTED THE EQUIPMENT AND LESSOR HAS ACQUIRED THE EQUIPMENT AT CUSTOMER'S SPECIFIC REQUEST FOR THE PURPOSE OF LEASING IT HEREUNDER. CUSTOMER ACKNOWLEDGES THAT THE SUITABILITY OF THE EQUIPMENT AND ITS INSTALLATION AND DELIVERY IS CUSTOMER'S RESPONSIBILITY. THE FAILURE OF THE EQUIPMENT TO BE DELIVERED AND INSTALLED, TO OPERATE OR TO CONFORM TO CUSTOMER'S REQUIREMENTS SHALL NOT LESSEN CUSTOMER'S OBLIGATIONS HEREUNDER.
- Rentals:** Customer shall, without notice from or request by Lessor, pay to Lessor during the Term of this Lease the total number of rental payments set forth in the Lease Details. Such rental payment shall be



Lease Agreement

payable in advance to Lessor at the address indicated above (or other address notified by Lessor to Customer) as follows: first rental payment upon Customer's execution hereof and, commencing after the calendar period covered by such first rental payment subsequent rental payments throughout the Term on: (A) in the case of monthly payments, the first day or the fifteenth day of each month, whichever day is closer to the date the Lease commences; or (B) in the case of payments based on any other calendar period, on the first day of each such calendar period. Any amount paid by Customer prior to the date the Lease commencing which is in excess of such first rental payment shall be credited towards Customer's final rental payment(s) in reverse order of occurrence, without interest. RENTAL PAYMENTS AND ANY OTHER AMOUNTS DUE UNDER THIS LEASE ARE PAYABLE WITHOUT SET-OFF, COMPENSATION OR ABATEMENT AND IN NO EVENT SHALL THE FIRST RENTAL PAYMENT BE REFUNDED TO CUSTOMER.

7. Adjustments: The rental payment set forth above is based upon the purchase price for the Equipment and Lessor's cost of funds. If (but only if) an Estimated Purchase Price has been specified in a Financing Terms Addendum attached hereto and the final invoice from Vendor specifies a purchase price (including taxes, delivery, installation and other charges) (the "Purchase Price") that is greater or less than the Estimated Purchase Price, Customer authorizes Lessor to adjust the above rental payments to reflect the Purchase Price provided Customer receives notice of such adjustment; however, if the Purchase Price exceeds the Estimated Purchase Price by more than 10%, Lessor will notify Customer and obtain Customer's prior written approval to such adjustment (such approval not to be unreasonably withheld) and the Lease will not commence until such approval is obtained. If (but only if) a Latest Start Date is specified in a Financing Terms Addendum attached hereto and Lease for any reason commences after such Latest Start Date, this Lease shall nevertheless be binding and Customer authorizes Lessor in Lessor's sole discretion to adjust the above rental payments to reflect its cost of funds on the date this Lease commences and hereby authorizes Lessor to complete such description provided Customer receives notice of such description. Any adjustment to rental payments or completion of an Equipment description made pursuant to this Section shall be deemed to have effect from the date Customer executes this Lease; if a Financing Terms Addendum is not executed and attached hereto, Lessor may not adjust the Net Rental Payments set forth above without Customer's prior written consent.

8. Interest on Overdue Payments: Customer shall without notice pay interest at the rate of Thirty percent (30%) per annum calculated and compounded monthly and not in advance, on: (A) any past due rental payments (B) any amounts which bear interest according to this Lease and (C) any other amounts due to Lessor hereunder which are not paid on their due dates; in each case from the date any such amount becomes due or interest bearing, before and after maturity, default and judgment, until such arrears or other amounts are paid in full.

9. Pre-Authorized Payments: Customer's Bank noted above is hereby authorized and directed to (A) debit Customer's account set forth above for all payments purporting to be drawn on Customer for payment to Lessor which are presented for payment by Lessor or Lessor's agent, and (B) make all such payments to Lessor or Lessor's agent from such account; such payments may be requested in the form of magnetic or computer-produced tape in which case such Bank is hereby authorized to treat them as signed by Customer. Customer agrees, in consideration of such Bank acting on this authorization, that such institution will not be liable for any loss or damage incurred as a result of honoring this authorization. If such account is transferred to another branch, this authorization shall be directed to such other branch. This authorization may not be revoked without Lessor's consent. Lessor is hereby irrevocably authorized to deliver a copy, details or further evidence of this authorization to such Bank. Customer hereby appointing Lessor its lawful attorney for such purpose. Such authorization may only be used by Lessor in respect of payments arising under this Lease, including payments arising under any Transaction Schedule to this Lease.

10. Installation, Maintenance and Repair: Customer shall, at its expense, be responsible for: (A) the delivery, installation, de-installation and redelivery of the Equipment and (B) the maintenance, upkeep, care, servicing and repair (including necessary replacements of parts) ("Maintenance") of the Equipment; in both cases by a party acceptable to Lessor. Customer shall at its expense keep the Equipment in good repair, condition and working order. Customer shall not without the prior written consent of Lessor make any alterations, additions or improvements to the equipment. All such alterations, additions or improvements shall be at Customer's expense and shall belong to, and become property of, Lessor immediately upon being made. On Lessor's request, Customer shall enter into a Maintenance agreement respecting the Equipment with the manufacturer thereof or other Maintenance supplier acceptable to Lessor.

11. Use: Customer shall use the Equipment in a careful and prudent manner and not for any unlawful purpose and shall at Customer's expense comply with and conform to the manufacturer's specifications and all applicable laws, ordinances and regulations (including laws, ordinances and regulations concerning environmental matters) relating to the possession, use or Maintenance of the Equipment. Customer shall only use the equipment in connection with its business or in the carrying on of an enterprise and only for commercial, industrial, professional or handicraft purposes and shall not use the Equipment for any personal, family, household or farming purposes. The Lessee shall ensure that the Equipment is operated in a careful and proper manner by competent operators only.

12. Loss and Damage: Customer shall, until this Lease is terminated and Customer's obligations hereunder are discharged in full (including the return of the Equipment), bear the entire risk of loss, damage, destruction, theft, seizure or governmental taking of the Equipment or any part thereof (any such case being a "Loss"), regardless of whether it is caused by any default or neglect of Customer. No Loss shall relieve Customer of its obligations hereunder. Customer shall forthwith notify the Lessor of any loss or damage to the Equipment.

13. Title and Identification: The Equipment is and shall at all times be and remain the sole personal and moveable property of Lessor, shall not be affixed or attached to or otherwise become a fixture or accession to any lands, buildings or chattels and Customer shall have no right, title or interest in or to the Equipment except as expressly set forth herein. Customer shall not allow the equipment to become subject to any claim, privilege, lien, charge, encumbrance, levy, security interest, mortgage, pledge, hypothecation, seizure, trust, attachment, judicial process, ownership interest, license, sublease or other right in favor of any person (in any such case an "Encumbrance") unless such encumbrance is caused by Lessor. At Lessor's request, Customer shall at Customer's expense affix and maintain on the Equipment, in a manner and in places satisfactory to Lessor, labels, plates or other marks supplied by Lessor to identify the equipment as the property of Lessor.

14. Location and Inspection: Customer shall maintain the Equipment at the Equipment Location specified in the Lease Details and shall not move the Equipment from such location. Lessor shall have the right to inspect the Equipment and Customer's Maintenance, insurance and tax records at any time.

15. Net Lease: ALL COSTS AND EXPENSES RELATING TO THE EQUIPMENT OR ITS USE, MAINTENANCE OR POSSESSION SHALL BE BORNE BY CUSTOMER, INCLUDING ALL TAXES AND ALL FEES, CHARGES, CLAIMS AND FINES INCURRED OR ARISING IN CONNECTION WITH THE REGISTRATION, LICENSING OR OPERATION OF THE EQUIPMENT. The rental payments and other amounts payable hereunder shall be absolutely net to Lessor, free of all expenses or outgoings of any kind or nature. If Customer fails to perform any of its obligations hereunder, Lessor may do so on Customer's behalf and shall be entitled to immediate reimbursement of all such expenses or outgoings of any kind or nature. If Customer fails to perform any of its obligations hereunder, Lessor may do so on Customer's behalf and shall be entitled to immediate reimbursement of all such expenses or outgoings of any kind or nature.

16. Taxes: Customer shall pay all Taxes and file all returns in respect of taxes immediately upon such Taxes or returns becoming due. "Taxes" includes all taxes, imposts, levies, fees, duties and charges now or hereafter imposed by any federal, provincial, municipal or other taxation authority on Customer, the Equipment or the purchase, sale, ownership, delivery, possession, use, Maintenance, operation or lease of the Equipment or on Lessor in respect of any of the foregoing (including sales excise, use, property, business, transfer, goods and services and value added taxes and including penalties or interest based on late payment of taxes), but excluding taxes on or measured by Lessor's overall net income. Lessor shall be entitled to claim any applicable capital cost allowance, investment tax credit or similar benefit under applicable tax legislation from time to time pertaining to the Equipment and/or the Lease and Customer shall not make any such claim in respect thereof.

17. Insurance: Customer shall, at its own expense, place and maintain, at its own expense, with insurers acceptable to Lessor: (a) Comprehensive all risks insurance on the Equipment in an amount at least equal to its full replacement value, such insurance to include: (i) Lessor as additional insured, (ii) a loss payable clause in favor of Lessor as first payee, and (iii) a waiver of subrogation in favor of Lessor; and (b) General public liability and property damage insurance with limits of liability equal to at least \$2,000,000 per occurrence (or such greater amount as Lessor may require from time to time), and such insurance shall: (c) extend to all liabilities of Customer arising out of its use or possession of Equipment, (d) include Lessor as additional insured, and (e) include a cross-liability provision which insures each person given to Lessor before a policy lapses or is materially altered or cancelled; (f) coverage shall be primary and non-contributory; (C) Lessor's interest as additional insured shall not be invalidated or otherwise affected by any act or omission, deliberate, negligent or otherwise, of Customer or its agents, servants or employees (such as a "standard mortgage clause"); (D) Lessor shall not be responsible for payment of any premium; and (E) Lessor may elect to have all proceeds of loss payable only to itself. Customer shall, on request, supply Lessor with certified copies of all insurance policies or other evidence satisfactory to Lessor of satisfaction of these insurance covenants and evidence of renewal of the expiring policy must be delivered to the Lessor at least thirty (30) days prior to the expiration date. In the event of damage amounting to actual or constructive total loss of the Equipment, Lessor shall be entitled to retain from all insurance proceeds an amount equal to the total amount payable to Lessor by Customer hereunder as Liquidated Damages.

18. Failure to Insure: If Customer fails to fulfill its insurance obligations hereunder, then, without prejudice to Lessor's other rights and remedies, Lessor shall have the right, but not the obligation, to procure insurance covering Lessor's interest (but not Customer's interest) in the Equipment, in such form and amount and with such insurers (including an insurer affiliated with Lessor) as Lessor shall determine from time to time, all at Customer's expense. Such expense (the "Insurance Expense") shall include the full cost of acquiring such insurance (not reduced by any credit or refund or any other amount due or paid to Lessor with respect to Lessor's insurance) and any charges or fees for services associated with the placement, maintenance or service of such insurance, plus interest accruing on such expense at the interest rate provided herein for overdue amounts until such expense is reimbursed by Customer to Lessor. Customer shall pay the Insurance Expense to Lessor in equal installments at the same time and in the same manner as the remaining rental payments. Customer shall cooperate with Lessor's insurance agent in connection with the placement of such insurance and the processing of any claims. Nothing herein shall be deemed to obligate or entitle Lessor to act as an insurer hereunder or to arrange any insurance for the benefit of Customer. Nothing herein shall require Lessor to secure, maintain in force or renew any insurance, in any amounts or upon any specific terms and conditions. Lessor reserves the right to terminate any insurance coverage which Lessor may arrange, or allow same to lapse, without incurring any liability to Customer.

19. Representations: Customer represents, warrants and covenants throughout the Term that: (A) if Customer is a body corporate, it is and will continue to be validly incorporated (or otherwise established), organized and existing and in good standing; (B) it has all necessary power and authority to execute, deliver and perform this Lease, each such action (i) having been duly authorized by all necessary action of which it or any of its assets are or may become bound, and (ii) not resulting in the creation of any encumbrance on the Equipment; (C) this Lease is and will continue to be the legal, valid and binding obligation of Customer enforceable against it and effective against its creditors in accordance with its terms; (D) there are no pending or threatened actions or proceedings before any court, administrative agency or other tribunal that could have a material adverse effect on Customer; (E) financial statements and other related information furnished by Customer to Lessor are prepared in accordance with generally accepted accounting principles and fairly present Customer's financial position on their respective dates; and (F) to evidence the foregoing Customer shall provide legal opinions, resolutions and such other documents as Lessor may reasonably request.

20. Subleasing Etc: Customer shall not sublet or part with possession or control of the Equipment or permit its use by any person other than Customer or employees of Customer who are qualified and competent to operate same. Neither this Lease nor Customer's rights hereunder shall be assigned by Customer except with Lessor's prior written consent and no assignment shall release Customer from its obligations hereunder.

21. Surrender: At the end of the Term or any renewal thereof, if Customer has not purchased the Equipment pursuant to a Section 29 Purchase Option, Customer, at Customer's expense and risk, shall surrender control of the Equipment to Lessor and shall: (A) after giving Lessor thirty days prior written notice, return the Equipment to Lessor at Lessor's nearest office or other place specified by Lessor or (B) if requested by Lessor, dispose of the Equipment as Lessor reasonably directs, including disposition in a manner which will avoid any dangerous use thereof or damage or injury to any person or property therefrom. Whenever Customer is required to return the Equipment to Lessor the Equipment shall be in good repair, condition and working order and Customer shall pay all costs of Maintenance and restoration of the Equipment returned to Lessor, necessary to restore it to its condition on the date this Lease commenced, normal wear and tear excepted. Customer shall, if Lessor so requests, store the Equipment at Customer's risk and expense and as Lessor's bailee for a period of up to 90 days after the end of the term; Customer shall not use the Equipment or pay rental payments for the Equipment during such period but shall nevertheless be bound by all of the terms of this Lease during such period.

22. Renewal: If Customer fails to surrender the Equipment at the end of the Term or any renewal thereof, or to purchase the same pursuant to a Section 29 Purchase Option, Customer shall be deemed to have requested a renewal of this Lease for a period of three (3) calendar months and Lessor may, in its sole discretion: (A) demand the surrender of the Equipment in compliance with Section 21 and exercise its rights and remedies for such non-compliance or (B) accept Customer's request to renew this Lease for a three (3) month period commencing on the end of the Term or the last renewal thereof. Such acceptance may be evidenced in writing signed by Lessor or by Lessor continuing to invoice Customer, withdrawing rental payments pursuant to a pre-authorized payment plan or otherwise accepting rental payments in respect of such renewal period. Customer shall continue to have all of its obligations under this Lease during any such renewal period, including the obligation to pay Lessor rental payments, as if had during the Term and all provisions of this Lease shall apply to any such renewal term.

23. Entry: If Customer fails to surrender the Equipment to Lessor as required under this Lease, Lessor may, without notice to Customer or resort to legal process, but subject to any applicable law, enter any premises where the Equipment is located and take possession of and remove or disable such Equipment.

24. Indemnity: Customer hereby indemnifies Lessor and agrees to save Lessor harmless from and against all loss, costs, liabilities, claims, legal proceedings and expenses (including legal fees on a solicitor and his own client basis and costs) whatsoever arising in connection with this Lease, the Purchase Documents, any License, the Equipment, the manufacture, selection, purchase, ownership, delivery, possession, use, Maintenance, operation, Loss or return of the equipment, Taxes, the recovery of claims under any insurance policy relating to the Equipment, any use or operation of Equipment which infringes any patent or other industrial or intellectual property right of any person, any Default by Customer, the exercise by Lessor of any rights or remedies hereunder or any entry or taking of possession, removal or disabling of Equipment pursuant to Section 23.

25. Defaults: Each of the following is a default by Customer (a "Default"): (a) Customer fails to make any rental payment or pay any other amounts due under this Lease within 3 days after the same is due and payable; or (b) Customer fails to perform, observe or comply with any other obligation, term or condition on its part to be performed, observed or complied with hereunder; or (c) Any event of default occurs under any other lease or contract between Lessor and Customer or under any material agreement between Customer and any other person; or (d) Any representation or warranty made by Customer to Lessor in or in connection with this Lease is incorrect; or (e) The Equipment or any part thereof is subjected to an Encumbrance on any part of the Equipment; or (f) Customer sells or attempts to sell or grant an Encumbrance on the Equipment; or (g) Customer makes any assignment for the benefit of its creditors, becomes insolvent, commits any act of bankruptcy, or seeks any arrangement or composition with its creditors; or (g) Any

Initial Here:		Initial Here:	
Initial Here:		Initial Here:	

tion to wind-up or dissolve or threatens to cease to do business as a going concern, is subject to winding-up, dissolution, liquidation or insolvency is

Lease Agreement

commenced by or against Customer or its property; or (h) Lessor in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance by Customer under this Lease is or is about to be impaired or the Equipment is or is about to be placed in jeopardy; or (i) Any guarantor of Customer's obligations hereunder disputes its obligation under its guarantee or seeks to determine its obligations thereunder or to terminate its guarantee of Customer's future obligations or becomes subject to any of the events in clauses (b), (c), (d), (f) or (g) of this Section.

26. **Effect of Default Damages:** A loss to Lessor upon a Default is dependent in part upon the cost of the Equipment to Lessor, the Term and the minimum return expected by Lessor from the sale or re-lease of the Equipment at the end of the Term. Upon any Default and in addition to Lessor's other rights and remedies under this Lease and otherwise available at law or in equity: (a) Customer shall pay forthwith (without notice) to Lessor as a genuine pre-estimate of liquidated damages, and not as a penalty (and in addition to all other amounts owing under this Lease), an amount (the "Liquidated Damages") equal to the aggregate of: (i) Unpaid rental payments and other amounts payable hereunder unpaid as of the date of the Default, and (ii) The present value (calculated on the basis of an interest rate of three percent (3%) per annum calculated and compounded monthly) of: (A) the remaining rental payments payable from the date of Default to the end of the Term or, if applicable, any renewal thereof, and (B) amounts otherwise payable under the Lease to the end of the Term or, if applicable, any renewal thereof, and (C) the greater of the purchase price for the Equipment pursuant to any end of Term fair market value or fixed price purchase option and the amount of any residual interest which Lessor may have in the Equipment; and (iii) interest thereon from the date of Default until payment in full; to the extent that the Liquidated Damages are deemed to include any Taxes which Lessor is required to remit to any taxation authority the Liquidated Damages shall be increased by the amount necessary to ensure that the net amount of the Liquidated Damages retained by Lessor after remitting all applicable Taxes will be equal to the amount calculated above; (b) upon Lessor's demand, Customer at Customer's expense shall forthwith surrender control of the Equipment to Lessor pursuant to Section 21 as though the Term had expired; (c) Lessor may, immediately and without notice to Customer or resort to legal process take possession of and remove or disable the Equipment pursuant to Section 23 as though Customer had failed to surrender such Equipment when required to do so; (d) The rights of Customer hereunder in respect of the Equipment, including the right to use and possess the Equipment, shall cease and terminate absolutely without limiting Customer's liability or obligations hereunder; and (e) Lessor may by notice in writing terminate this Lease or any other agreement Lessor may have with Customer; (f) All rights and remedies of Lessor, either under this Lease or at law or in equity or otherwise afforded to Lessor, are cumulative and not alternative. Lessor's costs and expenses incurred as a result of a Default ("Enforcement Costs") (including all costs and expenses in respect of collection, legal fees, repossession, repair of Equipment, enforcement of Lessor's rights or remedies, sale or re-lease costs or other realization costs) shall be paid by Customer to Lessor forthwith upon demand, with interest accruing thereon from the date such costs and expenses were incurred until payment in full.

27. **Sale on Default:** Lessor may after a Default sell, re-lease or otherwise dispose of Equipment at public or private sale with or without notice to Customer and upon such terms and in such manner as Lessor may determine. Customer shall thereafter continue to be liable to Lessor for the amount of any deficiency between the proceeds to Lessor from such disposition and the Liquidated Damages. If at any time after a Default and prior to Lessor obtaining possession of the Equipment, Customer pays to Lessor the Liquidated Damages and all applicable Taxes, title to the Equipment shall vest in Customer on an "as is, where is" basis without any condition, representation or warranty of Lessor whatsoever.

28. **Effect of Waiver:** No delay in exercising, or failure to exercise, any right or remedy accruing to Lessor under this Lease shall impair or waive such right or remedy, nor will a waiver of any single Default be deemed a waiver of any other prior, subsequent or concurrent Default. Any waiver, permit, consent or approval on the part of Lessor in respect of this Lease must be in writing and shall have effect only to the extent specifically set forth in such writing.

29. **Purchase Option:** In this Section (a) "Default" means any existing Default and any event or circumstance which, with the giving of notice or the lapse of time or both, would constitute a Default; and (b) "Fair Market Value" means the delivered and installed, all-inclusive, purchase price for equipment in good repair in a sale between an arms length purchaser buying for its own use and a seller dealing in such equipment in the ordinary course of its business, as such purchase price is determined by the Lessor acting reasonably. Provided no Default exists, any Purchase Option set forth in the Lease Details may be exercised by the Customer: (i) giving Lessor written notice sixty (60) days prior to the Option Date of its election to exercise such option; and (ii) paying Lessor the Option Price, plus Taxes, at least thirty (30) days before the Option Date. After the giving of such notice and the making of such payment, provided no Default exists on the Option Date, Customer shall acquire Lessor's interest in the Equipment on the Option Date on an "as is, where is" basis without any condition, representation or warranty by Lessor of any kind whatsoever except that the Customer acquires such interest from Lessor free of Encumbrances caused by Lessor.

30. **Customer's Waiver:** TO THE EXTENT NOT PROHIBITED BY LAW OR STATUTE, CUSTOMER HEREBY WAIVES THE BENEFIT OF ALL PROVISIONS OF ALL APPLICABLE CONDITIONAL SALES, REGULATORY, CREDIT AND OTHER STATUTES AND ALL REGULATIONS MADE THEREUNDER IN ANY APPLICABLE JURISDICTION WHICH WOULD IN ANY MANNER AFFECT, RESTRICT OR LIMIT THE RIGHTS AND REMEDIES OF LESSOR HEREUNDER, including, without limiting the generality of the foregoing, all of Customer's rights, benefits and protections given or afforded by the provisions of The Limitation of Civil Rights Act of Saskatchewan, as amended. Customer also waives and assigns to Lessor the right of any statutory exemption from execution or otherwise and further waives any right to demand security for cost in the event of litigation.

31. **Lessor Warranties:** Lessor warrants that on the date this Lease commences it is the owner of the Equipment, free and clear of any Encumbrance caused by Lessor, save for Customer's rights hereunder. Except as otherwise explicitly set forth herein, but without affecting Lessor's warranties set forth in any other agreement (all of which Customer acknowledges do not affect or form part of this Lease), Lessor makes no warranty or representation whatsoever as to the durability, quality or condition of the Equipment or its suitability for Customer's purposes or as to any other matter whatsoever (including status of this Lease for tax or accounting classification purposes). No representation to Customer as to the Equipment or any other matter by the Vendor or any supplier or manufacturer of the Equipment shall in any way affect Customer's obligations under this Lease. At the request and expense of Customer and while there is no Default, Lessor will (A) assign to Customer for the Term any and all warranties, guarantees, service contracts, licenses and representations given to Lessor by the Vendor or a manufacturer or supplier of the Equipment with respect to the Equipment ("Equipment Rights") which are assignable at law; and (B) assist Customer in receiving the benefit of such Equipment Rights. If Lessor obtains possession or control of the Equipment or if there is a Default, Customer shall be deemed to have immediately reassigned such Equipment Rights to Lessor without any further action. If Equipment is located in the Province of Quebec, Lessor hereby consents to Customer any warranty which the Vendor or a manufacturer or supplier of the Equipment gave to Lessor. LESSOR SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE, WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL, CAUSED BY THE EQUIPMENT OR THE USE, MAINTENANCE OR POSSESSION THEREOF, BY THE INADEQUACY OF THE EQUIPMENT RIGHTS OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE OF THE EQUIPMENT OR FOR ANY LOSS OF BUSINESS OR DAMAGE WHATSOEVER AND HOWSOEVER CAUSED.

32. **Assignment:** This Lease and all rights, remedies and benefits of Lessor hereunder may be assigned by Lessor without notice to or the consent of Customer and Customer hereby accepts such assignments and waives significant portions of the act of assignment and the delivery of a copy of any assignment document. Upon such assignment: (A) the assignee (the "Assignee") shall be entitled to enforce the rights and remedies and to receive all benefits which would otherwise accrue to the original Lessor under this Lease; (B) the Assignee shall be deemed to be Lessor for the purpose of all such rights, remedies and benefits; (C) the Assignee shall have no obligation to Customer to perform any of the obligations of the original Lessor hereunder or otherwise in respect of the Equipment, all of which are retained by the original Lessor; and (D) the Customer's rights hereunder as against the original Lessor shall be unaffected except as herein specifically provided. Customer agrees not to assert against the Assignee any claim by way of abatement, defense, set-off, compensation, counterclaim or the like which Customer may have against the original Lessor. The Customer shall co-operate with the Lessor and any Assignee to facilitate any assignment. Upon notice of an assignment Customer shall unconditionally pay to such Assignee all rental payments and other amounts due hereunder and shall not assert any defense against such Assignee in any action for rental payments or other amounts due and payable hereunder, except the defense of payment to the Assignee.

33. **Credit Investigation:** Subject to applicable legislation, Customer hereby consents to Lessor conducting a credit investigation of Customer and to Lessor making inquiries with financial institutions or other persons in a business relationship with Customer in connection therewith; Customer hereby authorizes and directs such persons to answer Lessor's inquiries. Customer agrees to furnish to Lessor: (A) a copy of its interim financial statements and other related information, as Lessor may request from time to time; and (B) its annual financial statements, audited if applicable, within ninety days of the end of each financial year.

34. **Security Interests:** To Secure Customer's performance of its obligations hereunder Customer grants Lessor a continuing security interest in any interest Customer has in the Equipment, in all proceeds thereof (including proceeds of insurance) and in any rental payments receivable on any sublease permitted by Lessor; Customer agrees that Lessor has all rights of a secured party under any applicable personal property security legislation and at law and in equity. To the extent this Lease creates a security interest, such security interest is a purchase money security interest (as the terms "security interest" and "purchase money security interest" are used in the Personal Property Security Act (Alberta) and shall be interpreted with similar effect under analogous legislation in force in any other relevant jurisdiction. In this Lease the term "security interest" includes a movable hypothec without delivery.

35. **Fees:** Lessor shall be entitled to charge Customer such fees and other charges as it may establish from time to time for the administration of and ancillary matters to this Lease, including a fee of \$25.00 for each security registration required in connection with this Lease and such fees for invoices as Lessor may from time to time establish.

36. **Name Change, etc.:** Customer shall promptly notify Lessor in writing of: (A) any change in Customer's name; (B) any transfer, authorized or unauthorized, by Customer of any interest in or benefit from the Equipment; (C) any change, authorized or unauthorized, by Customer in the location of any equipment; and (D) any change in the location of Customer's chief executive office specified above.

37. **Information:** Customer agrees that Lessor may provide copies of this Lease and/or information concerning Customer and its obligations hereunder to any person.

38. **Additional Equipment:** Lessor and Customer may from time to time agree to lease additional equipment pursuant to these Terms & Conditions and the above Customer Information and Invoice Option and each such agreement shall be evidenced by a written schedule referencing this initial lease (a "Transaction Schedule"), signed by Customer and Lessor and setting forth the particulars of such equipment lease transaction including the matters addressed by the above Lease Details and including any amendments to the Customer Information or Terms & Conditions which are applicable to that transaction. The particulars of the initial transaction set forth in the above Lease Details shall not apply to subsequent transactions but the Terms & Conditions, Invoice Option and Customer Information of this Lease are incorporated by reference into each Transaction Schedule and shall apply mutatis mutandis, to the transaction specified in such Transaction Schedule; such Customer Information, Terms & Conditions, Invoice Option and each Transaction Schedule shall constitute a separate lease and the entire agreement with respect to that transaction, shall be deemed to be a "Lease" to which these Terms & Conditions refer and shall not terminate as a result of the termination or expiry of any other Lease made pursuant to these Terms and Conditions. The terms of any Transaction Schedule evidencing a specific transaction shall prevail over these Terms & Conditions and the above Customer Information to the extent of any conflict or inconsistency but only in respect of that transaction.

39. **Entire Agreement:** This Lease (including (A) all details set forth above in the Customer Information, Lease Details and Invoice Option and in these Terms & Conditions and (B) any schedule, addendum or amendment to this Lease which is in writing, references this Lease and is signed by Customer and Lessor at any time) constitutes the entire agreement between Lessor and Customer with respect to its subject matter.

40. **Applicable Law:** This Lease shall be construed according to the laws of the Province of Alberta.

41. **Enurement:** Subject to the terms hereof, this Lease shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, permitted assigns and legal representatives.

42. **Interpretation:** Whenever the context of this Lease so requires, the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders. Time is of the essence of this Lease and each of its provisions. Headings are for convenience of reference only and do not affect the interpretation. Terms used in the Customer Information or Lease Details have, when used in these Terms & Conditions, unless the context otherwise requires, the meaning ascribed thereto by such use. The word "including" means "including without limitation".

43. **Notices:** Any notice required or permitted to be given hereunder must be in writing and will conclusively be deemed to have been received by its recipient on the business day it is delivered or sent by facsimile transmission to a party at the address indicated on the first page hereof (or at such other address as such party specifies to the other party in writing) or, if sent by registered mail, provided there is no interruption in postal services, on the fifth business day after the day of mailing, addressed to such party at such address.

44. **Severability:** Any provision of this Lease prohibited by or unlawful or unenforceable under any applicable law shall, at the sole option of Lessor, be ineffective without invalidating the remaining provisions of this Lease; provided, however, that to the extent that the provisions of any such applicable law can be waived, they are hereby waived by Customer.

45. **Further Assurances:** Customer agrees to do all things and execute or obtain all documents as may be required by Lessor in order to give effect to or better evidence this Lease including the execution of financing statements or other documents to effect security registrations to protect Lessor's interests, any acknowledgements required by any Assignee and any waivers or subordinations from Customer's landlords or creditors.

46. **Language:** The parties hereby acknowledge that they have required this Lease, and all other agreements and notices required or permitted to be entered into or given pursuant hereto, to be drawn up in the English language only. Les parties reconnaissent avoir demandé que le présent contrat ainsi que toute autre entente ou avis requis ou permis à être conclu ou donné en vertu des dispositions du présent contrat, soient rédigés en langue anglaise seulement.

47. **Survival:** Notwithstanding any other sections hereof, all obligations of Customer under sections 2,6,10,12,13,15,16,19,21,22,23,24,25,26,27,30,31,32,34 and 35 hereof and the rights and remedies of Lessor hereunder shall survive the termination of this Lease and the receipt of all rental payments and other amounts payable by Customer hereunder.

48. **Joint and Several Liability:** If more than one person executed this Lease, their obligations hereunder shall be joint and several and, in the Province of Quebec, solidary without benefit of division or discussion.

49. **Receipt of Copy, Etc.:** Customer acknowledges receipt of a true copy of this Lease and waives, to the extent permitted by applicable law, all rights to receive copies of financing statements, financing change statements, verification statements or copies of other notices or filings made by Lessor at any time in connection with this Lease, any schedule thereto, any amendment thereof or any Transaction Schedule.

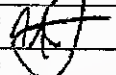
Initial Here: 	Initial Here: 
Initial Here: 	Initial Here: 

EXHIBIT B
SETTLEMENT AGREEMENT

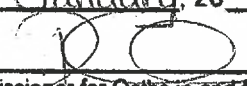
This is Exhibit " B "

referred to in the affidavit of

Jeff Beeston

sworn before me this 30

day of January, 20 17


A Commissioner for Oaths in and for Alberta

Danielle S. Maréchal
Barrister and Solicitor

SETTLEMENT AGREEMENT
(the "Settlement")

BETWEEN:

Connacher Oil and Gas Limited
(**"Connacher"**)

- and -

Arundel Capital Corporation
(together with its subsidiaries and affiliates, **"Arundel"**)

RECITALS:

Whereas:

- (a) Connacher and Arundel are parties to three Lease Agreements each dated February 8, 2016 (collectively, the **"Lease Agreements"**) with respect to the lease by Arundel to Connacher of two used tandem (lead and rear) 2014 Polar Super-B TC407 Aluminum Tank Trailers and four used tandem (lead and rear) 2014 Tremcar Super-B TC407 Aluminum Tank Trailers (collectively, the **"Trailers"**, and individually a **"Trailer"**);
- (b) On May 17, 2016, Connacher sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **"CCAA"**) pursuant to an Initial Order granted by the Court of Queen's Bench of Alberta (the **"Court"**), as amended and extended from time to time (the **"Initial Order"**);
- (c) At the time of the Initial Order, five of the six Trailers remained under lease to Connacher, with Arundel having been paid in full for all amounts owing in respect of the sixth Trailer from insurance proceeds following a total loss of such Trailer prior to the Initial Order;
- (d) On or about November 27, 2016, one of the Trailers (being the 2014 Tremcar Super B TC407 Aluminum Tank Trailer Lead bearing serial number 1T9BL4031ES588966 and the 2014 Tremcar Super B TC407 Aluminum Tank Trailer Rear bearing serial number 1T9BL3123ES588967) (the **"Written Off Trailer"**) was in an accident resulting in a total loss of the Written Off Trailer;
- (e) Connacher has been advised by its insurance company, CNA Canada, that Connacher will receive insurance proceeds in respect of the Written Off Trailer in the amount of \$296,640.00 (the **"Insurance Proceeds"**); and
- (f) The parties hereto have agreed to fully and finally resolve and settle all matters between them, including relating to the Lease Agreements, the Trailers (for greater certainty including the Written Off Trailer), the Insurance Proceeds, and



any and all claims that Arundel had, has or may have and however arising against Connacher.

NOW THEREFORE, FOR THE SUM OF TWO DOLLARS (\$2.00) AND SUCH OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED BY THE UNDERSIGNED, THE UNDERSIGNED AGREE AS FOLLOWS:

1. The above noted recitals are true and accurate and form part of this Settlement.
2. The terms of this Settlement and the obligation of each party hereto to perform its obligations hereunder are expressly subject to and entirely conditional upon satisfaction of each of the following conditions and written notice being provided by Connacher to Arundel (which notice may be by email from legal counsel to Connacher to legal counsel to Arundel) that such conditions have been satisfied (the **"Settlement Conditions Satisfaction Notice"**):
 - (a) Arundel providing written direction to CNA Canada (with a copy to Connacher), in form satisfactory to CNA Canada and Connacher, that the Insurance Proceeds be promptly paid directly to Connacher in immediately available funds;
 - (b) actual receipt by Connacher of the Insurance Proceeds in an amount not less than \$296,640.00 (or such other amount as Connacher may agree with the consent of its interim financing lenders) in immediately available funds without restriction on use; and
 - (c) a final order of the Court approving this Settlement without any modification, amendment or alteration unless consented to in writing by Connacher in its discretion,(collectively, the **"Settlement Conditions"**).
3. As soon as practicable following execution of this Settlement, Connacher shall apply for an order of the Court approving this Settlement and authorizing Connacher to perform its obligations hereunder (the **"Settlement Order"**). Arundel agrees that it shall provide its consent to such application and shall provide such other assistance reasonably requested by Connacher in connection with such application.
4. Within two (2) business days following Connacher delivering the Settlement Conditions Satisfaction Notice to Arundel, Connacher shall pay to Arundel using the payment information provided to Connacher by Arundel the amount of \$170,307.00 from the Insurance Proceeds (the **"Settlement Payment"**), which payment shall be in full and final satisfaction of all of Connacher's past, current or future obligations and liabilities in connection with the Written Off Trailer and the Lease Agreements, and in full and final settlement of all other matters provided for in this Settlement.
5. Within two (2) business days following Connacher delivering the Settlement Conditions Satisfaction Notice to Arundel, Connacher shall make the remaining Trailers listed on Schedule "A" hereto (collectively, the **"Remaining Trailers"**) available for pick up by

Arundel at such location(s) and at such date(s) and time(s) as designated by Connacher in its discretion, acting reasonably. Connacher shall notify Arundel in writing (which notice may be by email from legal counsel to Connacher to legal counsel to Arundel) of the location(s) and the date(s) and time(s) (which, for certainty, may be at different locations or at different dates and times for each of the Remaining Trailers) at which the Remaining Trailers may be picked up by Arundel (the "Pick Up Notice"). Each Remaining Trailer shall be available for pick up for a period of five (5) days at the location set out in the Pick Up Notice for the particular Remaining Trailer. Connacher represents to Arundel that it is not currently aware of any fees or charges that would have to be paid by Arundel to have the Remaining Trailers released from the pick up location(s) in accordance with this Settlement.

6. Arundel shall, at its sole cost, expense and risk, (i) take possession of the Remaining Trailers at the location(s) and at the date(s) and time(s) set out in the Pick Up Notice and (ii) remove the Remaining Trailers from such location(s). Arundel and its agents shall comply with all safety and security measures reasonably required by Connacher in connection with the pick up of the Remaining Trailers. If Arundel has not picked up the Remaining Trailers at the date(s) and time(s) specified in the Pick Up Notice, Arundel shall be deemed to have taken possession and control of the Remaining Trailers at 11:59 p.m. (Mountain Time) on the date(s) specified in the Pick Up Notice. Connacher shall have no responsibility, liability or other obligations with respect to each of the Remaining Trailers immediately upon the earlier of (i) Arundel or its agents actually picking up the applicable Remaining Trailer or (ii) 11:59 p.m. (Mountain Time) on the date(s) specified in the Pick Up Notice for Arundel to pick up the applicable Remaining Trailer. Arundel hereby indemnifies Connacher for any and all damages, claims, costs or expenses asserted against or incurred by Connacher as a result of Arundel or its agents taking possession of and removing any of the Remaining Trailers or Arundel's failure to take possession of and remove any of the Remaining Trailers when required hereunder, which indemnity shall continue in full force and effect notwithstanding the completion of the settlement transactions contemplated herein.
7. Arundel acknowledges that the Remaining Trailers are being returned and released to Arundel on an 'as is, where is' basis with no representations or warranties of any kind by Connacher, and that, other than providing reasonable access to the Remaining Trailers for pick up by Arundel or its agents, Connacher shall have no responsibility or liability of any kind with respect to Arundel or its agents' pick up of the Remaining Trailers and/or any subsequent transportation or use of the Remaining Trailers by Arundel or its agents.
8. Effective immediately upon the earlier of (i) Arundel or its agents taking possession of each Remaining Trailer or (ii) 11:59 p.m. (Mountain Time) on the date(s) specified in the Pick Up Notice for Arundel to pick up each Remaining Trailer:
 - (a) the Lease Agreement applicable to each Remaining Trailer shall be deemed to have been terminated on the date of this Settlement;
 - (b) all of Connacher's right, title or interest in and to the applicable Remaining Trailer shall be released to Arundel; and

- (c) Connacher shall have no further obligations under the applicable Lease Agreement or in respect of the applicable Remaining Trailer.
9. Effective immediately upon delivery of the Pick Up Notice to Arundel and without any further action being required and regardless of whether Arundel actually picks up the Remaining Trailers, but provided that the Settlement Payment has been paid to Arundel in accordance with this Settlement, Arundel hereby forever fully, finally and unconditionally remises, releases, acquits, waives and forever discharges Connacher, Ernst & Young Inc., in its capacity as CCAA monitor, and Connacher's lenders and each of their respective subsidiaries, affiliated and associated corporations and entities and each of their respective officers, directors, shareholders, employees, servants, agents, advisors, successors and assigns, both present and former (collectively, the "Releasees") of and from any and all actual or potential actions, causes of action, suits, debts, duties, accounts, bonds, dues, covenants, contracts, rights, costs and expenses, judgments, claims, proceedings, obligations and demands whatsoever, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including fees and disbursements of legal counsel, whether known or unknown, howsoever arising of every nature and kind whatsoever which Arundel ever had, now have or may hereinafter have against the Releasees, including without limitation by reason of, arising out of or relating to the Lease Agreements, the Trailers (including Connacher's use and operation of the Trailers), the Written Off Trailer, the Insurance Proceeds, the Remaining Trailers, Connacher's proceeding under the CCAA, and, for greater certainty, Arundel's proof of claim filed in connection with Connacher's proceeding under the CCAA shall be deemed to be withdrawn, with prejudice, by Arundel. Nothing in this paragraph 9 or in the Settlement Order shall release Connacher from its obligations under this Settlement. Arundel hereby (i) covenants and agrees not to make any claim or to commence or maintain any action or proceeding against any person, firm, or corporation in which any claims referred to in this paragraph could arise against the Releasees, and (ii) represents and warrants that it has not assigned to any person, partnership, corporation, or other such entity any of the matters which it releases by this Settlement or with respect to which it agrees not to make any claim or take any proceedings by this Settlement.
10. Each of the parties acknowledges and declares as follows:
- (a) it has had an adequate opportunity to read and consider this Settlement and to obtain such advice in regard to it as it considers advisable;
 - (b) it fully understands the nature and effect of this Settlement; and
 - (c) this Settlement has been duly executed voluntarily.
11. Arundel agrees to keep the existence and terms of this Settlement strictly confidential, except to the extent publicly disclosed by Connacher or the Monitor in any Court filings in connection with Connacher's application to the Court seeking approval of this Settlement.
12. Connacher does not by the settlement referenced herein or otherwise admit any liabilities or obligations whatsoever by any of the Releasees to Arundel.

13. Time is of the essence in the performance of the parties' respective obligations under this Settlement.
14. This Settlement shall be binding upon the parties hereto and their respective successors and assigns and enure to the benefit of the Releasees and their respective heirs, executors, estate trustees, administrators, personal representatives and assigns. Arundel shall not be permitted to assign any of its rights or obligations hereunder.
15. The parties agree that this Settlement shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein, excluding any rule or principle of conflicts of law that may provide otherwise. The parties irrevocably attorn to the jurisdiction of the Province of Alberta and agree that any dispute in connection with the subject matter of this Settlement shall be decided by the Court in Connacher's CCAA proceeding.
16. All amounts in this Settlement are stated, and shall be paid in, Canadian dollars.
17. This Settlement shall not be amended, modified or terminated except by written agreement between the parties.
18. This Settlement may be executed in counterparts, and each executed counterpart shall have the same force and effect as the original instrument as if both of the parties had signed the same instrument. The exchange of copies of this Settlement and of the signature pages by facsimile transmission, by electronic mail in portable document format (.PDF), or by any other means shall constitute effective execution and delivery of this Settlement to the parties and may be used in lieu of the original document for all purposes.

REMAINDER OF PAGE INTENTIONALLY BLANK



Dated January 26, 2017

CONNAHER OIL AND GAS LIMITED

Per: _____

Name: JESSE BEAUCHAMPEL

Title: VICE PRESIDENT

I have the authority to bind the
corporation

**ARUNDEL CAPITAL CORPORATION, and
its subsidiaries and affiliates**

Per: _____

Name: KEVIN HILLMAN

Title: VICE PRESIDENT, OPERATIONS

I have the authority to bind the above
entities

SCHEDULE "A"
Remaining Trailers

Trailer Description	Serial Number
2014 Polar Super-B TC407 Aluminum Tank Trailer Lead 2014 Polar Super-B TC407 Aluminum Tank Trailer Rear	1PMA34035E1042948 1PMA33120E1043568
2014 Polar Super-B TC407 Aluminum Tank Trailer Lead 2014 Polar Super-B TC407 Aluminum Tank Trailer Rear	1PMA34033E1042947 1PMA33127E1042949
2014 Tremcar Super-B TC407 Aluminum Tank Trailer Lead 2014 Tremcar Super-B TC407 Aluminum Tank Trailer Rear	1T9BL4034ES588962 1T9BL3126ES588963
2014 Tremcar Super-B TC407 Aluminum Tank Trailer Lead 2014 Tremcar Super-B TC407 Aluminum Tank Trailer Rear	1T9BL4038ES588964 1T9BL312XES588965

