Form 49
[Rule 13.19]

COURT FILE NO.	1601-06131	CLERK OF THE COURT Clerk's Stamp FILED APR 10 2017 JUDICIAL CENTRE OF CALGARY
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. 8 OF MERLE JOHNSON
Sworn on April 10, 2017

I, Merle Johnson, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Chief Executive Officer and a director 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. 8 in support of an application for an Order approving minutes of settlement dated April 9, 2017 ("**Settlement Agreement**") made between Connacher and IDE Technologies Ltd. ("**IDE**") 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. 8, but do not define them, I intend them to have the meaning given to them in the Settlement Agreement. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

I. CONNACHER'S CCAA PROCEEDING

5. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted Connacher the Initial Order (the "**Initial Order**"), which provided for, among other things, a stay of proceedings up to and including June 16, 2016 (the "**Stay Period**") pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**").

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. Paragraph 4(c) of the Initial Order authorized and empowered Connacher to commence or continue any proceedings as applicant or plaintiff as considered advisable, including without limitation an action or application against IDE.

II. THE IDE LITIGATION

8. On January 22, 2014, Connacher and IDE entered into Purchase Order No. GDMINIEXPB.PD001, including the appendices thereto and the Connacher Purchase Order Terms and Conditions (collectively, the "**Agreement**") whereby IDE agreed to deliver two skid mounted MVC-250 evaporator packages (the "**Evaporators**", each, an "**Evaporator**") to Connacher in exchange for Connacher making payment of approximately $4,000,000 to IDE. A copy of the Agreement is attached at **Exhibit "A"** to this Affidavit No. 8.

9. Connacher paid IDE a total of $2,014,669.85 towards the price for the Evaporators.

10. Pursuant to the Agreement, the Evaporators were to be delivered no later than December 22, 2014, which was extended by the parties to June 10, 2015. To date, the Evaporators have not been delivered to Connacher.

11. On April 14, 2016, Connacher delivered a formal notice to IDE of its failure to perform under the Agreement.

12. On June 3, 2016, as authorized by the Initial Order, Connacher commenced an action against IDE in the Court of Queen's Bench of Alberta, bearing court file no. 1601-07421 (the "**Action**"). Connacher filed a Statement of Claim ("**Statement of Claim**") claiming damages of $2,213,364.10, representing the amount it paid for the Evaporators plus a penalty amount owing pursuant to the Agreement. A copy of the Statement of Claim is attached at **Exhibit "B"** to this Affidavit No. 8.

13. On October 24, 2016, IDE served its Statement of Defence ("**Statement of Defence**"), denying the claims made by Connacher and alleging that the delay in delivery of the Evaporators was attributable to a third party, Chamco Industries Ltd. ("**Chamco**"), a sub-contractor for IDE. A copy of the Statement of Defence is attached at **Exhibit "C"** to this Affidavit No. 8.

III. THE SETTLEMENT WITH IDE

14. Connacher and IDE have engaged in extensive discussions concerning a potential settlement of the Action.

15. Those discussions have culminated in a settlement between Connacher and IDE of all of the outstanding issues between the parties, which settlement is subject to (among other things, as discussed below) approval of this Honourable Court. The terms of the settlement are reflected in the Settlement Agreement, a copy of which is attached at **Exhibit "D"** to this Affidavit No. 8.

16. The Settlement Agreement is conditional upon the following, as detailed in the Settlement Agreement:

    (a) IDE and Chamco providing Connacher with reasonable access to inspect (the "**Inspection**") certain evaporators and Connacher selecting an evaporator as the Selected Unit (as defined in the Settlement Agreement);

    (b) If the evaporators are transferred from Chamco's facility to IDE's facility prior to pick-up by Connacher, IDE shall provide Connacher with reasonable access to IDE's facility for a further inspection (the "**Further Inspection**");

    (c) Following the Inspection, IDE, Connacher and Chamco executing a Delivery Receipt confirming Connacher may remove the Selected Unit and confirming that the Selected Unit shall be free of any liens, conditions, obligations, payments or claims of any nature or kind whatsoever;

    (d) A final order of this Court (the "**Approval Order**") approving the Settlement Agreement and authorizing Connacher to perform its obligations thereunder; and

    (e) After the Approval Order is obtained, IDE arranging for access to provide to Connacher and its agents to attend:

        (i) at Chamco's facility within 15-30 calendar days of the Approval Order to crate and remove the Selected Unit, including the equipment listed on Schedule "C" of the Settlement Agreement, from Chamco's yard; or

        (ii) in the event the Evaporators have been picked up by IDE prior to the Pick-Up, at IDE's facility within 10-15 calendar days of the Further Inspection, or, in the event that no Further Inspection is requested by Connacher, within 10-15 calendar days of the Approval Order, to crate and remove the Selected Unit and the equipment listed on Schedule "C" of the Settlement Agreement, from IDE's facility.

17. Pursuant to the Settlement Agreement and subject to the conditions described above and contained therein, Connacher and IDE have agreed as follows:

    (a) Within seven business days of receiving the Settlement Conditions Satisfaction Notice (as defined in the Settlement Agreement) specifying that the conditions to the Settlement Agreement have been satisfied, IDE shall make a payment to Connacher in the amount of $210,000 (the "**Settlement Payment**");

    (b) Connacher shall arrange for pick-up of the Selected Unit, at its own cost, in the manner set forth in the Settlement Agreement;

(c) Within fifteen days of pick-up of the Selected Unit and receipt of the Settlement Payment, Connacher will file a Discontinuance of Claim in the Action on a without costs basis;

(d) Effective immediately upon Connacher's pickup of the Selected Unit and receipt of the Settlement Payment, Connacher will rescind its termination of the Agreement;

(e) IDE will retain sole ownership of the second Evaporator and Connacher will waive any claim or rights to the second Evaporator;

(f) Connacher and IDE will execute a mutual release in the form appended to the Settlement Agreement; and

(g) Connacher and IDE will each indemnify the other for losses that may be sustained by the other as a result of a breach of the Settlement Agreement.

18. 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 litigation over IDE's alleged breach of the Agreement and brings a final resolution to the Action; and

(b) Connacher requires the Selected Unit in connection with its ongoing business operations. While it was originally preferable at the time of entering into the Agreement for Connacher to have both of the Evaporators, Connacher's ongoing business operations will benefit from the use of one Evaporator and, for the foreseeable future, Connacher no longer requires both Evaporators. Accordingly, the Settlement Agreement will assist Connacher in obtaining ownership and use of the Selected Unit in short order.

19. The settlement between Connacher and IDE has been approved by, and is supported by, the Monitor and the Interim Lenders (as defined in the Initial Order).

20. 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.

21. 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 April 10, 2017

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

Danielle S. Maréchal
Barrister and Solicitor

MERLE JOHNSON

Legal*41251248.9

EXHIBIT A
PURCHASE ORDER & TERMS AND CONDITIONS

THIS IS EXHIBIT "A"
Referred to in the Affidavit of
Merle Johnson
Sworn before me this 10
Day of April A.D., 2017.

A Commissioner for Oaths in and for the Province of Alberta

Danielle S. Maréchal
Barrister and Solicitor

OIL AND GAS LIMITED

Purchase Order

Project No. GDMINIEXPB

PO No.: GDMINIEXPB.PD001

This number must appear on all correspondence, packing slips, invoices, and packages.

Rev. No.: 1 Cumulative

Rev. Date: 22/01/2014

Buyer: Connacher Oil and Gas Limited
Suite 900, 332 - 6th Avenue SW
Calgary, Alberta
T2P-0B2

Seller: IDE TECHNOLOGIES LTD.
HAMATECHET STREET, HASHARON IND. PARK.
P.O. Box 5016
KADIMA,
ISRAEL 6092000

Ship To: CONNACHER OIL AND GAS
80 km South of Fort McMurray on Highway 63
Alberta Canada
Attn: Great Divide

Attention: GILAD COHEN

Phone: +972-9-8929863

E-mail: GILADC@IDE-TECH.COM

Fax:

Invoice To: CONNACHER OIL AND GAS
Suite 900, 332 - 6th Avenue SW
Calgary, Alberta Canada T2P 0B2
Attn: Accounts Payable

Initial Order Date	Scheduled Delivery	1st Vendor Dwg Due Date	Shipping Point	Shipping Terms or Incoterm Status	Invoice Payment Terms
18/12/2013		31/01/2014			45 days

Initiating Engineer	Route VIA	Project Title / Location	Seller's Quotation Reference
LSLOMINSKI		Project Title: Pod 1 Mini Expansion Location: Great Divide - Pod 1	MVC SEPT. 29, 2013

Please furnish goods and/or services described below subject to the terms and conditions of this purchase order and all attachments

Currency: CDN $

PO No.: GDMINIEXPB.PD001 PO Description: MVC EVAPORATORS (2)

PM: Luke Slominski

Item#	Quantity	Description	Unit Price	Total
1 1.R1	1.00 EACH	TWO SKID MOUNTED MVC-250 EVAPORATOR PACKAGES SF14011 101140 3801113 CB00 WP: 13-CLL-008 R.O.: +$3,600,000.00 (Current item value: $3,600,000.00) Reference: IDE Proposal dated September 29, 2013 Emails from IDE dated November 21 and 27, 2013. 1. Downpayment with Purchase Order at 15% = $540,000.00 2. Progress Payment with P&ID' s and Layouts15% = $540,000.00	3,718,590.00	3,718,590.00

Requisition No:	Total Value including this Revision:	Direct All Corresp. to:
SF14011	3,718,590.00 (All Taxes Extra)	LUKE SLOMINSKI Phone: +1 403 538 4708 E-mail: LSlominski@ConnacherOil.com

One (1) copy of this order is to be duly signed and returned within five (5) working days

PER I.D.E. Technologies Ltd

PER LUKE SLOMINSKI JAN. 27, 2014

3. Progress Payment with presentation of unpriced copies of POs for main equipment at 20% = $720,000.00 (Approx. 8 weeks after PO)

4. Progress payment upon receipt of equipment shipping documents DDP Edmonton, Alberta, Canada at 40% = $1,440,000.00 (Approx. 40 weeks after PO)

5. Final payment upon completion and receipt of all final drawings and other documentation at 10% = $360,000.00

Total = $3,600,000.00

Attachments:

1. IDE MVC Evaporator Package Proposal for Connacher 2013-09-29
2. IDE Process Guarantee 2013-11-25
3. IDE Schedule for 2 x MVC 250
4. Confirmation on no cancellation charges 2013-11-21
5. Confiramtion on combining last two payments 2013-11-27

R.1.: +$118,590.00 (Current Item value: $3,718,590.00)

1. Downpayment with Purchase Order at 15% = $575,577.00 (NET 15)

2. Progress Payment with Piping and Instrumentation diagram (P&ID' s) , Issue for HAZOP and General layout drawings, Issue for HAZOP at 15% = $575,577.00 (NET 45)

3. Progress Payment with presentation of unpriced copies of POs for main equipment at 20% = $767,436.00 (NET 45)

4. Progress payment upon delivery of the goods EX-Works Alberta, Canada at 40% (NET 45)

5. Final payment upon completion and receipt of all final drawings and other documentation at 10% = $360,000.00 (NET 45)

Total = $3,718,590.00

Attachments:

1. Appendix 'A' - Scope of Supply - Rev.1
2. Appendix 'B' - Documents Delivery
3. Appendix 'C' - CLL 2XMVC250 - Project Schedule
4. Appendix 'D' - Performance Test
5. Connacher - IDE T&C & Milestones - Email dated January 21, 2014
6. Connacher Terms and Conditions - Approved

		Subtotal Value Added Tax (VAT/ GST) State/ Province Tax Grand Total		3,718,590.00 3,718,590.00
		(All other terms and conditions as stated in the original purchase order and subsequent purchase change order(s) shall remain unchanged).		

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Appendix A - Scope of Supply

The following document describes IDE's scope of supply for the provision of two skid mounted MVC-250 evaporator packages (hereinafter – individually a "Unit" and collectively - the "goods") for the Connacher Oil and Gas Limited (Connacher) POD 1 expansion project.

Each Unit will consist of three skids - (i) evaporator skid (ii) electrical skid and (iii) chemical skid .

Each Unit will have a nominal production capacity of 250m^3/day of drum boiler feed water (a total of 500m^3/day for 2 Units).

The purpose intended of the goods is the treatment of feed water meeting the analysis set out in Appendix C (Operating Conditions) under the operating conditions described therein for achieving the Guaranteed Performances.

1 Codes and Standards

The goods will be designed and manufactured in accordance with the standards below:

Equipment and Process:

Item	Codes / Standards
Pumps	ASME B73.1-2001
Mechanical Compressor Lubrication system for Mechanical Compressor	ISO standards Manufacturer's specifications
Plate & Frame Heat Exchanger	ASME PD673

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Hamatechet St., POB 5016, Hasharon Industrial Park, Kadima 60920, Israel

Mechanical:

Item	Codes / Standards
Vessel	ASME VIII, Div 1 followed by ABSA registration
Piping	ASME B31.3 followed by ABSA registration
Flanges	ASME B.16.5 code or B16.47 code
Welding	Applicable ASME welding code

Electrical:

Item	Codes / Standards
Area Classification	CSA Unclassified
Panel Design	CSA C22.1
Motors	CSA C22.1
VFD	CSA C22.1
Electrical Cables	CSA C22.1

Control and Instrumentation:

Item	Codes / Standards
Panel Design	CSA
Control Cables	CSA
Instrumentation	CSA

Documents to be furnished

The documents to be furnished by IDE are detailed in Appendix B - Documents Delivery

3. IDE's Scope of Supply & Specifications

Each Unit will consist of the following parts, which parts shall meet the following specifications:

3.1 Process Equipment

3.1.1 Pressure Vessel: V-001

- Internal Diameter - 2,380mm
- Length – 11,750mm
- Internals: heat transfer tubes, demisters, deflectors
- Materials of Construction:
  - Shell: Duplex UNS S31803
  - Tube sheets: Duplex UNS S31803

3.1.2 Centrifugal Fan (Vapor Compressor): K-001

- Width – 1,650mm
- Length- 3,280mm (including motor)
- Height: 1,420mm
- Fan speed: 3,500rpm – 6,000rpm
- Motor Power: 160 kW
- Materials of Construction:
  - Impeller: Duplex 1.4462
  - Casing: AISI 316

3.1.3 2 x Heat Exchanger: E-001

- Width – 450mm
- Length- 2,3000mm
- Height: 1,700mm
- Heating transfer area: 100m2
- Materials of construction: St. St. 316

3.1.4 Direct Contact Condenser: C-001

- Diameter: 300mm
- Height: 2,280mm
- Filling media: Raschig rings
- Materials of construction: Super Duplex UNS S32750

3.1.5 Pumps

Feed A Pump: P-001:

- Flow rate: 11ton/hr
- Installed power: 4kW
- Materials of construction: St. St. 316

Feed B Pump: P-002:

- Flow rate: 11ton/hr
- Installed power: 5.5kW
- Materials of construction: Duplex UNS S31803

Circulation 1A Pump: P-003:

- Flow rate: 80ton/hr
- Installed power: 7.5kW
- Materials of construction: Duplex UNS S31803

Circulation 1B Pump: P-004:

- Flow rate: 12ton/hr
- Installed power: 4kW
- Materials of construction: Duplex UNS S31803

Circulation 2 Pump: P-005:

- Flow rate: 80ton/hr
- Installed power: 7.5kW
- Materials of construction: Duplex UNS S31803

Distillate Pump: P-006:

- Flow rate: 10.5ton/hr
- Installed power: 5.5kW
- Materials of construction: St. St. 316

Vacuum Pump: P-007:

- Flow rate: 70m3/hr
- Installed power: 5.5 kW
- Materials of construction: St. St 316

3.1.6 Process Equipment -General

- All process equipment items will be tagged with nameplates
- Dosing tanks and dosing pumps will be mounted on a steel skid (one for each Unit)

3.2 All Piping and Tubing within IDE Battery Limits (as marked in the drawing attached herewith as Exhibit A)

- Piping designed to be sufficiently flexible to avoid undo stress during normal operation
- Tubing is installed on appropriate raceways and adequately supported to avoid excessive vibrations
- Piping and tubing connecting the chemical dosing system to the evaporator are excluded from IDE's scope of supply.

3.3 A flange at the end of each pipe coming out of the Unit at the tie-in points listed in the Piping Interface Table shown herein below.

Piping Interfaces Table

#	Tie-in Point	SIZE	Flange Type
1	Feed water in	2"	RF
2	Distilled water out	1.5"	RF
3	Brine out	1"	RF
4	Steam in	2"	RF
5	Vent out	1"	RF
6	Utility water (service water)	1"	THRD
7	Glycol in	1"	THRD
8	Glycol out	1"	THRD
9	N_2 in	1"	THRD
10	Instrument air	1"	THRD GALV.
11	Drain	2"	RF
*	Chemicals Dosing (7 dosing system) Chemicals Skid	0.5"	THRD GALV.
*	Chemicals Dosing (7 dosing system) Evaporator Skid	0.5"	THRD GALV.

Table 1: Tie in piping interface

3.4 Control and Instrumentation as will be shown in the P&ID

- Each Unit to have an independent control system able to communicate with Connacher's plant control system (Allen-Bradley Rockwell Logix)
- All control devices (i.e. solenoids) will be rated for 24 VDC (low power)
- Junction boxes will be waterproof as per applicable codes
- All control cables, wires, conductors and equipment will be labeled and numbered
- Control software will be provided for the goods.
- PLC Panel will be provided for each Unit mounted on the evaporator skid.
- HMI Panel will be mounted on the PLC Panel.
- All process instrumentation control points will be provided with an isolation valve and vent tubed to a common vent header.
- All instruments will be supplied with instrument drain lines and vents.

3.5 Electrical

3.5.1 Steel channel mounted on the evaporator skid for physical support of the electrical cables.

3.5.2 MCC Panel mounted on the Electrical Skid.

3.5.3 VFDs for compressor and pumps mounted on the Electrical Skid.

- Electrical equipment will be properly protected against dust, dirt and moisture and protected against mechanical damage while rough, dirty, wet or dusty work is in progress.
- All electrical equipment will be labeled with the appropriate tag, and circuit number if applicable.
- Conductor insulation will be color coded
- Electrical cables are excluded from IDE's scope of supply.

4 Equipment, Works & Responsibilities Outside IDE's Scope of Supply

4.1 Process Equipment

- All process equipment outside of IDE's Battery Limit as marked in the drawing attached herewith as Exhibit A.
- Storage and buffer tanks: Feed water, Brine, Distillate
- Chemicals storage tanks
- Distribution systems: Feed water, Brine discharge, Distillate

4.2 Electrical, Instrumentation and Controls

- All electrical work, instrumentation and controls outside of the outside of IDE's Battery Limit as marked in the drawing attached herewith as Exhibit A.
- Main power supply and connection of electrical low voltage power (480V, 60Hz, 3P) to the Unit's motor control center (MCC)
- Supply and installation of electrical cables between the electrical skid, the evaporator skid and the chemicals skid
- Supply of Auxiliaries Voltage 120/208, 60 Hz, 1Phase / 3Phase
- Supply of Solenoid and Instrumentation voltage 24VDC
- Control cabling between DCS (Distributed Control System) and connections to the Unit's package programmable logic controller (PLC)
- Supply and installation of control cables between the chemicals skid and the PLC on the evaporator skid and the electrical skid.
- Connection of instrument air (for the instrumentation and control system) to the evaporator skid's air terminal point
- Site lighting, earthing / grounding

4.3 Piping

- Piping from the Produced water feed tank to the Unit Feed water inlet tie-in point.
- Piping from the Unit's Distillate outlet tie-in point to the Distillate storage tank.
- Piping from the Unit 's Brine outlet tie-in point and transfer of 0.3 ton/hr Brine to the Brine storage tank
- Piping from the Unit's vent outlet tie-in point and transfer of 100m3/hr vent stream containing H_2S, CO_2, volatile organics etc. to the vapor treatment station at the site.
- Piping between the chemical skid and the chemical storage tank and piping between the chemical skid and the evaporator skid.
- Drainage from the evaporator skid drains tie-in point to the site's drainage system.
- piping for all utilities - steam, instrument air, N2, cooling Glycol, utility water and vent piping .

4.4 Civil Engineering Works

- All civil engineering works and structures, enclosures, including the foundations of Units.

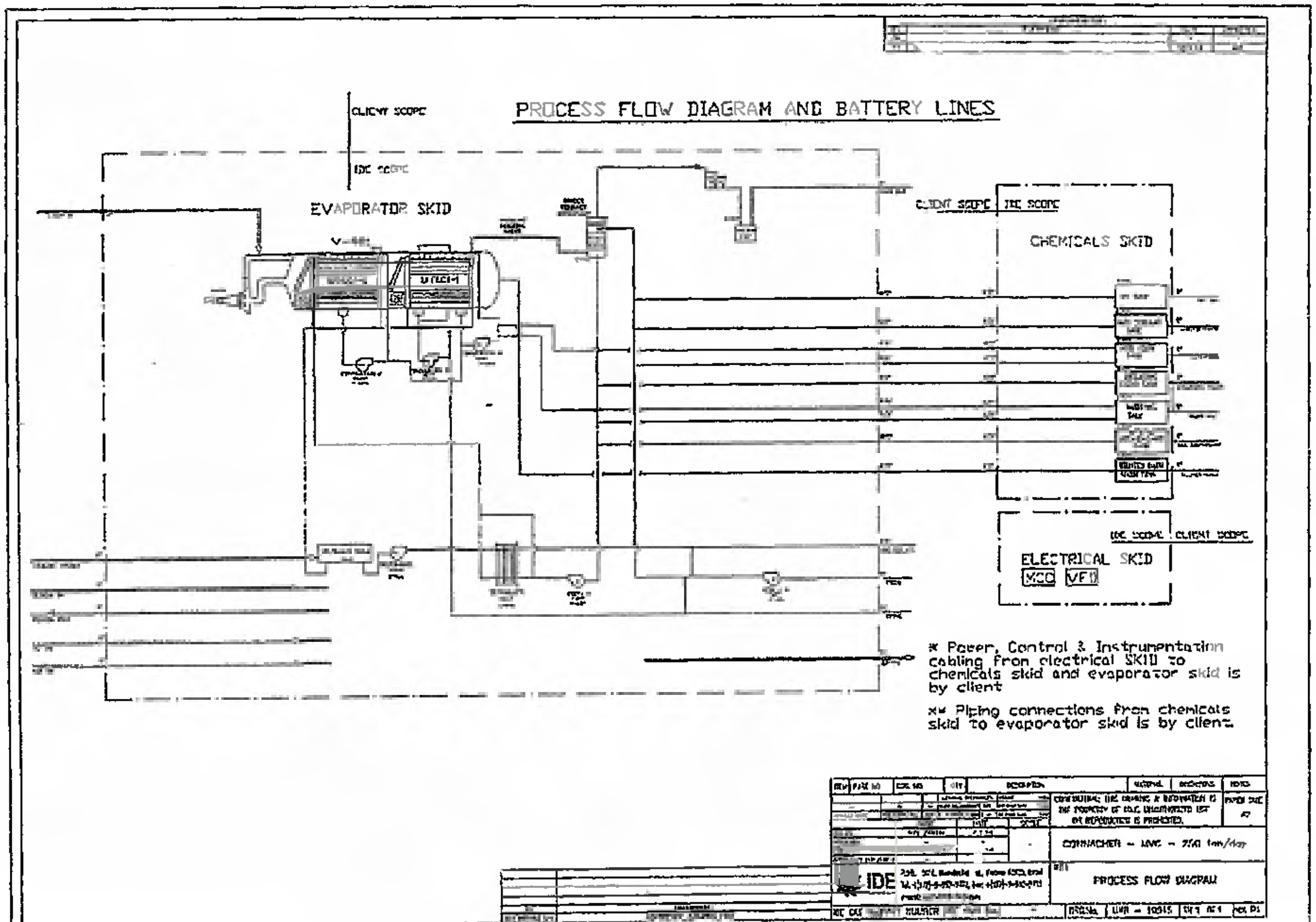
4.5 Site Works

- Erection, start up, commissioning and performance test of the goods (under IDE's supervision.

4.6 Permits

- Applying for and obtaining permits, authorizations and licenses required under laws and regulations applicable in Alberta Canada for the construction, erection, start-up commissioning operation and maintenance of the goods.

Exhibit A - Process Flow Diagram & Battery Limits



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Hamatechet St. POB 5016, Hasharon Industrial Park, Kadima 60920, Israel

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Appendix B – Documents Delivery

Vendor will deliver to CLL the following documents in electronic format by the dates set out in the table below.
All documents will be reviewed by CLL and returned with comments or approved within 1 week of their delivery. A document not returned with comments within 1 week of its delivery will be considered approved by CLL.

Table 1: Process Engineering	Delivery Date
Process flow diagram indicating heat and mass balance	16.1.2014
Process Equipment list with materials of construction, main dimensions and weights	13.2.2014
Process description incl. control philosophy	8.5.2014
Operation manual	25.9.2014
Piping and instrumentation diagram (P&ID' s), preliminary issue	30.1.2014
Piping and instrumentation diagram (P&ID' s), issue for HAZOP	27.2.2014
Piping and instrumentation diagram (P&ID' s) , for construction	8.5.2014
Piping schedule	13.2.2014
Valve list	13.2.2014

Table 2: Equipment and Mechanical Engineering	Delivery Date
Data sheets and/or guide drawings of the main equipment, preliminary issue	30.1.2014
Data sheets and/or guide drawings of the main equipment, approved for procurement	27.2.2014
Data sheets and/or guide drawings of the main equipment, for construction	5.6.2014
Mechanical design calculation of pressure vessels	10.4.2014
Quality certificates	4.12.2014
Spare parts lists - commissioning and two-years, preliminary issue	16.1.2014
Spare parts lists - commissioning and two-years, final issue	8.5.2014
Valves specification	10.4.2014
Piping supports drawing	5.6.2014

Piping arrangement drawings based on 3D model	17.7.2014
Tie-in points nozzles stress	5.6.2014

Table 3 Electrical, Instrumentation and Control	Delivery Date
Instrument list	13.3.2014
Interlock and alarm list	27.2.2014
Load list	30.1.2014
Single line diagram	13.2.2014
Electrical cable schedule	8.5.2014

Table 4: Civil Engineering	Delivery Date
General layout drawings, preliminary	30.1.2014
General layout drawings, issue for HAZOP	27.2.2014
General layout drawings approve for construction, for construction	8.5.2014
Foundation drawings with loading points and drainage system	5.6.2014

* * *

IDE Technologies

Connacher 2*MVC250 Project

Schedule

Printed on Monday, 13 January 2014

#	% Com	Name	Duration	Start	Finish
		Connacher 2*MVC250			
1		Connacher 2*MVC250	63.40w	10/11/13	26/01/15
2	0%	Project Milestones	52.60w	19/12/13	22/12/14
3	100%	Effective Date of PO	0.00w	19/12/13	19/12/13
4	0%	Goods Delivery EXW (Calgary / Edmonton)	0.00w	22/12/14	22/12/14
5	0%	Documentation	46.00w	16/01/14	04/12/14
6	0%	Process Engineering	35.00w	16/01/14	25/09/14
7	0%	Process Flow Diagram Indicating Heat and Mass Balance	0.00w	16/01/14	16/01/14
8	0%	Process Equipment List with Materials of Construction, Main Dimensions and Weights	0.00w	13/02/14	13/02/14
9	0%	Process Description Incl. Control Philosophy	0.00w	08/05/14	08/05/14
10	0%	Operation Manual	0.00w	25/09/14	25/09/14
11	0%	Piping and Instrumentation Diagram (PID's), Preliminary Issue	0.00w	30/01/14	30/01/14
12	0%	Piping and Instrumentation Diagram (PID's), Issue for Hazop	0.00w	27/02/14	27/02/14
13	0%	Piping and Instrumentation Diagram (PID's) , for Construction	0.00w	08/05/14	08/05/14
14	0%	Piping Schedule	0.00w	13/02/14	13/02/14
15	0%	Valve List	0.00w	13/02/14	13/02/14
16	0%	Equipment and Mechanical Engineering	46.00w	16/01/14	04/12/14
17	0%	Data Sheets and/or Guide Drawings of The Main Equipment, Preliminary Issue	0.00w	30/01/14	30/01/14
18	0%	Data Sheets and/or Guide Drawings of The Main Equipment, Approved for Procurement	0.00w	27/02/14	27/02/14
19	0%	Data Sheets and/or Guide Drawings of The Main Equipment, for Construction	0.00w	05/06/14	05/06/14
20	0%	Mechanical Design Calculation of Pressure Vessels	0.00w	10/04/14	10/04/14
21	0%	Quality Certificates	0.00w	04/12/14	04/12/14
22	0%	Spare Parts Lists - Commissioning and Two-Years, Preliminary Issue	0.00w	16/01/14	16/01/14
23	0%	Spare Parts Lists - Commissioning and Two-Years: Final Issue	0.00w	08/05/14	08/05/14
24	0%	Valves Specification	0.00w	10/04/14	10/04/14
25	0%	Piping Supports Drawing	0.00w	05/06/14	05/06/14
26	0%	Piping Arrangement Drawings Based on 3D Model	0.00w	17/07/14	17/07/14
27	0%	Tie-In Points Nozzles Stress	0.00w	05/06/14	05/06/14
28	0%	Electrical, Instrumentation and Control	14.00w	30/01/14	08/05/14
29	0%	Instrument List	0.00w	13/03/14	13/03/14
30	0%	Interlock and Alarm List	0.00w	27/02/14	27/02/14
31	0%	Load List	0.00w	30/01/14	30/01/14
32	0%	Single Line Diagram	0.00w	13/02/14	13/02/14
33	0%	Electrical Cable Schedule	0.00w	08/05/14	08/05/14
34	0%	Civil Engineering	18.00w	30/01/14	05/06/14
35	0%	General Layout Drawings, Preliminary	0.00w	30/01/14	30/01/14
36	0%	General Layout Drawings, Issue for Hazop	0.00w	27/02/14	27/02/14
37	0%	General Layout Drawings Approve for Construction, for Construction	0.00w	08/05/14	08/05/14
38	0%	Foundation Drawings with Loading Points and Drainage System	0.00w	05/06/14	05/06/14

IDE Technologies

Connacher 2*MVC250 Project

Schedule

Printed on Monday, 13 January 2014

#	% Com	Name	Duration	Start	Finish
39	64%	Pre Engineering	14.00w	17/11/13	20/02/14
40	85%	Process	11.00w	17/11/13	30/01/14
47	70%	Detailed Design	12.80w	17/11/13	12/02/14
61	73%	Electrical, Instrumentation & Control	9.20w	19/12/13	20/02/14
65	22%	Procurement - 1st Stage (LLI)	46.40w	10/11/13	29/09/14
66	25%	Compressor(Fan) + Motor + VFD	40.40w	10/11/13	18/08/14
70	50%	PO - Compressor(Fan) + Motor + VFD	8.60w	19/12/13	17/02/14
74	30%	Pumps	33.40w	10/11/13	30/06/14
78	50%	PO - Pumps	6.80w	25/12/13	10/02/14
82	20%	Vessel	45.40w	17/11/13	29/09/14
86	50%	PO - Vessel	8.40w	22/12/13	17/02/14
90	33%	Heat Exchanger	34.40w	10/11/13	07/07/14
94	50%	PO - Heat Exchanger	6.40w	05/01/14	17/02/14
98	39%	Skid	23.80w	17/11/13	30/04/14
102	50%	PO - Skid	8.40w	22/12/13	17/02/14
121	0%	Detailed Engineering	15.80w	12/01/14	30/04/14
122	0%	Piping	15.80w	12/01/14	30/04/14
123	0%	Electrical	15.80w	12/01/14	30/04/14
124	0%	Control	15.80w	12/01/14	30/04/14
125	0%	Procurement - 2nd Stage	12.80w	17/03/14	12/06/14
126	0%	Piping	12.80w	17/03/14	12/06/14
127	0%	Valves & Actuators	12.80w	17/03/14	12/06/14
128	0%	PLC	12.80w	17/03/14	12/06/14
129	0%	MCC	12.80w	17/03/14	12/06/14
130	0%	Instrumentations	12.80w	17/03/14	12/06/14
131	0%	Cables	12.80w	17/03/14	12/06/14
132	0%	Construction	34.00w	09/04/14	02/12/14
133	0%	Construction - Unit 1	32.00w	09/04/14	18/11/14
134	0%	Construction - Unit 2	32.00w	23/04/14	02/12/14
135	0%	Shop Test	4.80w	19/11/14	22/12/14
136	0%	Shop Test - Unit 1	2.80w	19/11/14	08/12/14
137	0%	Shop Test - Unit 2	2.80w	03/12/14	22/12/14
138	0%	Goods Delivery EXW (Calgary / Edmonton)	0.00w	22/12/14	22/12/14
139	0%	Shipmet to Client Site	1.00w	23/12/14	29/12/14
140	0%	Erection of Units 1&2	3.00w	30/12/14	19/01/15
141	0%	Commissioning of Units 1&2	1.00w	20/01/15	26/01/15

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Appendix D – Performance Test

1. Introduction

The following document describes the performance test for goods (as defined in Appendix A).

The Performance test will be performed within 7 days after IDE certifies that the installation and commissioning were completed and the goods are ready for the Performance Test.

The duration of the Performance Test will be 72 consecutive hours.

The Performance Test will be conducted by CLL's personnel under IDE's supervision and management.

2. Operating Conditions During Performance Test

The operating conditions during the run of the Performance Test are defined in Exhibit A - Operating Conditions (the "**Operating Conditions**").

CLL is responsible for providing the Operating Conditions set out in Exhibit A attached herewith in a continuous and steady manner during the entire duration of the Performance Test.

3. Performance Test

The objective of the test is to ascertain the goods achieve the Guaranteed Performances and trouble free operation

The Guaranteed Performances are as set out in the Guaranteed Performances Table below.

Distillate production capacity per 24 hours	250 m^3/day per each Unit
Recovery Ratio	95% recovery per each Unit
Specific Power Consumption (per m3 Distillate)	10.7 kwh/m^3 distillate per each Unit

Table 1: Guaranteed Performances

Variation in performance of +/- 5% will be accepted

The Performance test will be conducted in accordance with the following procedures:

- Each Unit will be started up and heated to the operation temperature 101°C
- Each Unit be operated under the Operating Conditions for two hours before the Performance Test is started
- All unit instruments must be calibrated before the test
- Measuring points:

- Power consumption will be measured on the unit MCC
  - Feed flow will be measured by a totalizer on the feed inlet line
  - Distillate flow will be measured by a totalizer on the distillate outlet line
- The measurement will be performed every 2 hours and recorded during the test
- The test results are calculated by an average of the measurements performed in 2 hours intervals
  - Capacity is calculated by the distillate flow rate
  - Recovery will be calculated by dividing the distillate flow by the feed flow
  - Specific power consumption is calculated by dividing the average power consumption by the average production capacity

4. Events in which the Performance Test will be deemed to have been successfully passed

1. Each Unit will successfully pass the Performance Test if during the Performance Test for that Unit (i) the Guaranteed Performances are achieved and (ii) trouble free operation of the Unit is demonstrated.

2. Notwithstanding section 41, a Unit shall be deemed to have successfully passed the Performance Test for all purposes of the Agreement (as defined in the Terms and Conditions) and the Guaranteed Performances shall be deemed to have been achieved at the Performance Test in any of the following events:

   2.1. When at a continuous test trial run of the Unit for 72 (seventy two) hours the Unit shall have operated in a regular manner and the Guaranteed Performances has been achieved;

   2.2. In the event that Initial Completion is not achieved within 15 months from the date of the Purchase Order other than due to IDE's delay in delivery of the goods or due to design or manufacture defects in the Unit;

   2.3. In the event that the first Performance Test for that Unit is not conducted within 7 days from the date that IDE certifies that the commissioning of that Unit is completed and that that Unit is ready for Performance Test (or at any other deferred date mutually agreed upon in writing by both Parties) other than due to IDE representative's failure to attend or supervise the Performance Test;

   2.4. In the event that in the circumstances mentioned in clause 4 below a repeated Performance Test is not conducted within the 7 day period mentioned therein (or at any other deferred date mutually agreed upon in writing by both Parties) other than due to IDE representative's failure to attend or supervise the Performance Test;

   2.5. In the event that the Performance Test is not conducted in accordance with the instructions of IDE and IDE's supervisor;

   2.6. In the event that all Operating Conditions are not continuously and steadily supplied all during the run of the Performance Test due to reasons outside IDE's control.

2.7. In the event that IDE has paid to CLL Liquidated Damages for Performance Failure in accordance with the performances achieved in the first or the repeated Performance Test, as the case may be.

3. In the event that the goods have successfully passed or are deemed to have successfully passed the Performance Test, completion (as referred to in the Purchase Order) shall be deemed to have been achieved.

4. Should a Unit fail to achieve the Guaranteed Performances in the first Performance Test, IDE shall carry out, free of charge to CLL, corrective works in the Unit in order to improve the Unit's performances. Upon completion of such corrective works IDE shall certify that the Unit is ready for a repeated Performance Test. In such event a repeated Performance Test shall be conducted for that Unit within 7 days following IDE's certification that the Unit is ready for it.

5. Should the Unit fail to achieve the Guaranteed Performances in the repeated Performance Test IDE shall pay to CLL Liquidated Damages for Performance Failure in accordance with the performances achieved in the repeated Performance Test.

6.

<u>Liquidated Damages for Performance Failure - per one Unit</u>

Guaranteed Performance	LDs Rate
Distillate production capacity per 24 hours	CA$ 15,000 per each m^3/day below 250 m3/day
Recovery Ratio	CA$ 50,000 per each 1% below 95%.
Specific Power Consumption (per m3 Distillate)	CA$ 45,000 per each kwh/ m^3 distillate in excess of 10.7 kwh/ m^3 distillate.

* * *

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Exhibit A - Operating Conditions

Requirements for Each Unit

Inlets and Utilities:

	FLOW [ton/hr]	TEMP. [°C]	Pressure [barg]
Compliant feed water supply *	10.70	70 - 90	3-4
Steam in (for 2-3 hours startup) Steam in (continuous)	2 0.1	- -	3-6 3-6
Utility water	0-2		3-5
Glycol in	10.00	45	3-5
N_2 in	10 CFM		
Instrument air	15 CFM		2-10
Low voltage (460 v) power supply	120 kWhr		

* Compliant Feed Water is defined in the compliant feed water table shown below.

Chemical	Design dosing rates (ppm)
Anti Scale	10 - 30
Anti Foam	10 - 30
HCl 36% *	100 - 450
NaOH 50%**	400 - 1200
Chelating agent***	10 - 200
O & G Dispersant****	0 - 10

* - HCl dosing ratio is dependent on the feed alkalinity [ppm]

** - NaOH 50% will be dosed to reach pH=12

*** - Chelating agent dosing ratio is dependent on the feed hardness [ppm]

**** - O&G dispersant dosing ratio is dependent on the feed oil & grease [ppm]

Compliant Feed Water Table

The feed water fed into the goods must contain only the elements listed below and their respective concentration must not exceed the Max. Concentration values listed below

Element	Unit	Max. Concentration
Calcium (Ca++)	mg/L	4.9
Magnesium (Mg++)	mg/L	0.4
Sodium (Na++)	mg/L	385.0
Potassium (K+)	mg/L	12.6
Iron (Fe++)	mg/L	0.1
Bicarbonate (HCO3)	mg/L	220.0
Carbonate *(CO3)	mg/L	0.5
Sulphate (SO4)	mg/L	4.0
Chloride (Cr)	mg/L	262.0
Silica (SiO2)	mg/L	227.0
Total Dissolved Solid (TDS)	mg/L	1116.5
pH		7.9
TSS*	mg/L	46
Total Organic Carbon (TOC)	mg/L	150.0
Free and Emulsified Oil and Grease*	mg/L	5

***

From:
Sent:
To:
Cc:
Subject:

Dear Carl,

I see you point.
We accept your suggestion to fixing the currency exchange. Using todays rate is accepted as well.
I have updated the payment milestones accordingly for your convenience.

No.	Payment Milestone	Amount	CAD/ USD	Comments
1	Down-payment with Purchase Order at 15%	575,577.00	CAD	To be paid 14 days from invoice
2	Piping and instrumentation diagram (P&ID' s), issue for HAZOP and General layout drawings, issue for HAZOP at 15%	575,577.00	CAD	To be paid 45 days from invoice
3	Progress Payment with presentation of un-priced copies of POs for main equipment at 20%	767,436.00	CAD	To be paid 45 days from invoice. (Invoice will not be issued before March 15th)
4	Progress payment upon delivery of the goods EX-Works Alberta, Canada at 40%	1,440,000.00	CAD	To be paid 45 days from invoice
5	Final payment upon completion and receipt of all final drawings and other documentation at 10%	360,000.00	CAD	To be paid 45 days from invoice

Please confirm that this issue is resolved, and let me know if I can assist with other issues you may face.

Best Regards,
Yaniv

IDE TECHNOLOGIES – YOUR WATER PARTNERS

Yaniv Schmidt | Industrial Water Solutions, Marketing Manager | IDE Technologies | t: +972-9-8926115 | m: +972-52-3826317 | Canadian C: +1-780-8006647 |yanivs@ide-tech.com | www.ide-tech.com
Save a tree - think before you print!

From: Carl Haase [mailto:CHaase@Connacheroil.com]
Sent: Tuesday, January 21, 2014 7:02 PM
To: Schmidt Yaniv
Cc: Blaine Whitaker; Luke Slominski; Cohen Gilad; Sarig Maayan; Goldstein Moshe
Subject: RE: Connacher - IDE T&C
Importance: High

Yaniv,

There seems to be a bit of a breakdown in the understanding of the indexing value and how we interpret it. On the first three (3) milestone payments we agree that the pricing is based on September 29, 2013 and that they will be invoiced in US dollars based on the current exchange rate. What we understand and require is that you choose the exchange rate (as of today for example) and fix that rate so that there is no fluctuation <u>after</u> the placement of the PO. Please use the following as an example;

1. Down payment with PO at 15% = $540,000 x $0.9723 (as of September 29, 2013) = $525,042.00(USD)
   a. Invoiced at 15% = $525,042 / $0.9122 (as of today's date) = $575,577.72 (CAD)

Please review and advise accordingly.

Regards,

Carl Haase
[illegible]
Connacher Oil and Gas Limited

direct 403.536.4713
mobile 403.819.2202
fax 403.538.6225
connacheroil.com

Please consider the environment before printing this email and attachments.

From: Schmidt Yaniv [mailto:yanivs@ide-tech.com]
Sent: January-20-14 7:42 AM
To: Carl Haase
Cc: Blaine Whitaker; Luke Slominski; Cohen Gilad; Sarig Maayan; Goldstein Moshe
Subject: RE: Connacher - IDE T&C

Dear Carl,

Thank you for sending the T&C, please find attached a final T&C version ready for signing, we have accepted all your comments.

We have received the technical clarification from Luke and updated Appendix A – Scope of Supply accordingly. Please see attached.

We have accepted your suggestion for the CAD/USD exchange rates. The 1st, 2nd and 3rd payment milestones will be indexed to the CAD/USD exchange rate dated on Sep 29th 2013. Payment milestones 4th and 5th will remain in CAD.

As for changing payment milestone No. 2, we can postpone the milestone and issue the invoice upon submission of: Piping and Instrumentation diagram (P&ID' s), issue for HAZOP and General layout drawings, issue for HAZOP, both dated Feb 27th. Please note that payment is made 45 days after invoice, so advocated time is allowed for approval. The approved IFC P&ID Layouts is expected around May only, which is too far into the project for the 2nd milestone.

As per payment milestone No.3, We have accepted your request to issue the invoice no earlier than March 15th.

<u>Please see below an updated payment milestones table, to be issued with the PO:</u>

No.	Payment Milestone	Amount	CAD/ USD	Comments
1	Down-payment with Purchase Order at 15%	540,000.00	CAD/USD(SEP 29 2013)	To be paid 14 days from invoice

2	Piping and instrumentation diagram (P&ID' s), issue for HAZOP and General layout drawings, issue for HAZOP at 15%	540,000.00	CAD/USD(SEP 29 2013)	To be paid 45 days from invoice
3	Progress Payment with presentation of un-priced copies of POs for main equipment at 20%	720,000.00	CAD/USD(SEP 29 2013)	To be paid 45 days from invoice. (Invoice will not be issued before March 15th)
4	Progress payment upon delivery of the goods EX-Works Alberta, Canada at 40%	1,440,000.00	CAD	To be paid 45 days from invoice
5	Final payment upon completion and receipt of all final drawings and other documentation at 10%	360,000.00	CAD	To be paid 45 days from invoice

Please let me know if you have any comment or clarification I can help with.

Best Regards,
Yaniv

IDE TECHNOLOGIES – YOUR WATER PARTNERS

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From: Carl Haase [mailto:CHaase@Connacheroil.com]
Sent: Friday, January 17, 2014 7:57 PM
To: Schmidt Yaniv
Cc: Blaine Whitaker; Luke Slominski; Cohen Gilad; Sarig Maayan
Subject: FW: Connacher - IDE T&C

Yaniv,

Upon further discussion, we would like to see the following attached to progress payment #3.

> 3. Progress Payment with presentation of un-priced copies of POs for main equipment at 20% = $720,000.00
> Not to be invoiced prior to March 15, 2014

Lastly, at the present time, with our statements below, the CAD to US expenditure is 40/60. We would like to see this come in closer to 50/50. Can you please revisit this and see how/if you can make that work?

Regards,

Carl

From: Carl Haase
Sent: January-17-14 10:44 AM
To: 'Schmidt Yaniv'
Cc: Blaine Whitaker; Luke Slominski; Cohen Gilad; Sarig Maayan
Subject: RE: Connacher - IDE T&C

Good Morning Yaniv,

Please find attached the marked up Terms and Conditions from our Legal department. Also, please note the following comments below.

Progress Payments;

2. Progress Payment with P&IDs and Layouts at 15% = $540,000.00
 We would like to this to be amended to read; ...upon approved IFC P&ID Layouts.
5. Final payment upon completion and receipt of all final drawings and other documentation at 10% = $360,000.00
 We would like this final payment to also be fixed in CAD

Additional, Luke has answered the technical clarification sheet which contained the piping interface table that is referenced in the scope of supply document. Therefore, can you please revise and re-submit scope of supply which will be included in the PO.

Please let me know if the T&C's are okay now and if the above is acceptable.

Regards,

Carl Haase
[illegible]
Connacher Oil and Gas Limited

direct 403.536.4713
mobile 403.819.2202
fax 403.538.6225
connacheroil.com

Please consider the environment before printing this email and attachments.

From: Schmidt Yaniv [mailto:yanivs@ide-tech.com]
Sent: January-14-14 9:51 AM
To: Carl Haase
Cc: Blaine Whitaker; Luke Slominski; Cohen Gilad; Sarig Maayan
Subject: Connacher - IDE T&C

Dear Carl,

Please see attached the T&C marked with our comments:

- Language of T&C and appendices was aligned to the same terminology and reference were made to the appendices as needed
- Bond clause was removed as it is irrelevant on this engagement
- Termination (cancellation) clause was amended to the agreed mechanism. We also added an option for you to cancel after March 1st
- Delivery was defined as well as LD's for late delivery
- IP related clause was added to confidentiality
- Change orders mechanism was added as agreed
- Liability clauses were added
- Reference to the performance test was added

Q Cd

See below a revised wording of payment milestones number 4, furthermore the weeks from PO were removed from all of milestones. Please issue the revised PO accordingly:

1. Down-payment with Purchase Order at 15% = $540,000.00
2. Progress Payment with P&IDs and Layouts at 15% = $540,000.00
   We would like to this to be amended to read; ...upon approved P&ID Layouts.
3. Progress Payment with presentation of un-priced copies of POs for main equipment at 20% = $720,000.00
4. Progress payment upon delivery of the goods EX-Works Alberta, Canada at 40% = $1,440,000.00
5. Final payment upon completion and receipt of all final drawings and other documentation at 10% = $360,000.00
   We would like this final payment to also be fixed in CAD

To address the Currency exchange index issue you raised, we suggest that the 4th payment (40%) will remain fix in CAD and the rest of the payments will be linked to the index with base exchange rate to be the date of the original proposal (Sep 29th 2013). This corresponds to roughly ratio of 40:60 expenditure outside of Canada.

Please see few updates of the appendices sent yesterday:

Appendix B – the tables were numbered for convenience of future corresponds
Appendix D – the performance LDs were added as well (we forgot to added yesterday to the appendix and we apologize for the inconvenience)

I would suggest we try and finalize the documentation by the end of this week, for any clarification please contact me and we will response promptly

Best Regards,
Yaniv

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OIL AND GAS LIMITED

CONNACHER OIL AND GAS LIMITED PURCHASE ORDER

TERMS AND CONDITIONS

1. Entire Agreement

This Purchase Order, including these Terms and Conditions, any specifications, drawings or descriptions, or additional terms or conditions attached hereto, when accepted by Vendor, constitutes the entire agreement between the parties (the "Agreement"). Connacher Oil and Gas Limited (and, if applicable, its subsidiaries) is referred to as "CLL" in this Agreement. Vendor's written acceptance of this Agreement, the shipment of any goods by Vendor, or the performance of any services by Vendor shall constitute acceptance of this Agreement by Vendor. This Agreement may only be amended with CLL's written approval.

2. Compliance with Law

Subject to section 4.7 of Appendix A (Scope of Supply) all goods and services provided hereunder shall be produced, sold, delivered, furnished and performed in compliance with all applicable laws and regulations, and the requirements of any regulatory authority having jurisdiction over the goods or services. Subject as aforementioned, Vendor shall execute and deliver any documents required to effect compliance with such laws, regulations and requirements.

3. Health and Safety

Vendor shall be responsible for safety at all times during the performance of its obligations under this Agreement, except when at CLL's premises. When at CLL's premises Vendor shall comply with all health and safety laws and regulations and all work practices prescribed by law and CLL.

4. Warranties

(i) Vendor warrants that:

(a) the goods conform to the specifications, drawings or other descriptions attached hereto as may be varied by a change order.;

(b) at a performance test conducted in accordance with Appendix D (the "Performance Test") the goods will achieve the Guaranteed Performances

(c) the goods will be reasonably fit for the purpose intended, notwithstanding that the goods are described by a patent or trade name. As used herein "purpose intended" is as defined in Appendix A (Scope of Supply); and –

(d) all services will be performed expeditiously in a careful, diligent and professional manner, in accordance with the standard of care normally exercised by contractors performing similar services in Canada.

(ii) Vendor shall, at its expense, either repair, or , replace, as shall be required, any of the goods furnished hereunder and accepted by CLL in which defects in workmanship, materials or design are discovered within one year from the Start Date , of which written notice is given by CLL to Vendor forthwith after discovery .As used herein "Start Date" means the earlier of: the day falling five (5) months after delivery of the goods or the day that the Performance Test is successfully completed or deemed successfully completed pursuant to Appendix D, whichever occurs sooner. Vendor shall repair or bear the cost of repairing any damage caused by any such defect. Repairs shall be done at CLL's convenience and, at CLL's option, on its premises unless the repairs are of such of a nature as to require repair facilities that cannot be made available on CLL's premises. All repairs shall be done expeditiously. All expenses attendant upon such repair or replacement, including any freight, custom duties, and brokerage fees shall be for Vendor's account. The foregoing warranties shall apply to all repairs or replacements. The warranty period shall be extended by the time during which CLL is unable to use any of the goods by reason of defects which Vendor is required to repair or replace. The Vendor's obligation to repair or replace shall extend to defects in any goods which were revealed on CLL's examination prior to acceptance.

(iii) Vendor shall, at its expense, after notice from CLL, and at CLL's option:

(a) re-perform any defective services; and
(b) remedy any defect or damage resulting from the defective performance of any services; or
(c) bear the costs of re-performance of the defective services, or remedying any resulting defect or damage.

(iv) The express warranties set forth in the Agreement are the exclusive warranties of Vendor and no other warranty, implied in fact or by law, is applicable including any warranty as to merchantability.

5. Performance Test

The procedures for conducting the Performance Test and the consequences of failure to achieve the Guaranteed Performances at the Performance Test are set out in Appendix D.

6. Governing Law and Attornment

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta, without reference to conflict of laws principles. The parties attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

7. Non-waiver

Failure by CLL to insist upon strict performance of any of the provisions of this Agreement, failure or delay in exercising any rights or remedies provided herein or by law, failure or delay in properly notifying Vendor in the event of breach of this Agreement by Vendor, the acceptance of, or payment for, any goods or services hereunder, or the approval of any design by CLL, shall not release Vendor from any warranties or obligations of this Agreement, and shall not be deemed a waiver of any right of CLL to insist upon strict performance hereof.

8. Infringement

Vendor shall, at its expense, indemnify, hold harmless and defend CLL against any claim, suit or proceeding brought against CLL alleging that any goods or services ordered from and supplied by Vendor or the intended use thereof, infringe any intellectual property rights subsisting in the jurisdiction of manufacture, sale, use or performance. If in the course of any such claim, suit or proceeding, CLL is prevented from using the goods or services, Vendor shall at its own expense and as soon as possible either obtain consent for CLL to use the goods or services, or replace the same with substantially equivalent but non-infringing goods or services. This Clause shall not apply to any goods manufactured to CLL's detailed designs and specifications, where such designs and specifications form the basis of any claim, action or proceeding.

9. Termination at Option of CLL

This Agreement may be terminated by CLL at its option, at any time by written notice to Vendor. Upon such termination, CLL shall pay Vendor the costs incurred by Vendor in performing its obligations under the Agreement until the date that such notice of termination is given to Vendor plus 15% of such costs. However in the event that such notice of termination is given to Vendor prior to March1, 2014, CLL shall pay to Vendor an amount of CA$ 1,000,000 less any amount previously paid by CLL to Vendor provided that Vendor has furnished to CLL the P&ID referred to in line 6 of Table 1 in Appendix B (Documents Delivery) and the layout drawing referred to in line 2 of Table 4 in the said Appendix B prior to receipt of such termination notice or within seven (7) working days thereafter. Payments made under this Clause shall not exceed the total price specified in this Agreement.

10. Termination for Default of Vendor

If Vendor fails to make deliveries of the goods or perform the services specified in this Agreement, or fails to perform any provision of this Agreement, and does not cure such failure within thirty (30) days after receipt of written notice from CLL specifying such failure, CLL may, at its option, terminate this Agreement. CLL has the right to obtain from Vendor all goods and services paid for up to the date of termination, including work in progress.

11. Force Majeure

If, for reasons beyond its reasonable control, CLL is prevented from performing its Scope of Supply as set out in Appendix A despite using reasonable efforts to overcome or reduce the circumstances preventing performance, CLL may suspend performance of this Agreement without compensation to Vendor. If Vendor is prevented from performance of its obligations within the time required for reasons beyond its reasonable control, Vendor shall not be in breach of such obligations, provided that Vendor exercises reasonable efforts to overcome or reduce the circumstances preventing performance. In no circumstances shall lack of funds be deemed an event of force majeure. Neither party shall be required to settle any strike or other labour dispute except on terms acceptable to it.

12. Insurance

Vendor shall, unless otherwise advised in writing by CLL, obtain from reliable insurers, and maintain during the term of this Agreement, Commercial General Liability Insurance with a combined limit of not less than $5,000,000, and Automobile Third Party Liability Insurance with a combined limit of $2,000,000.. CLL may require satisfactory evidence of such insurance to be supplied by Vendor.

13. Assignment

This Agreement may not be assigned by Vendor without the prior written consent of CLL.

14. Price and Payment

Unless otherwise expressly stated, the price and rates specified in this Agreement include all taxes, duties, and charges of any kind which either party is required to pay with respect to the goods and services provided under this Agreement, excluding GST and other sales tax, if applicable, which shall be added to the price. The time for payment of invoices, or for accepting any discounts offered, shall run from the date correct invoices are received by CLL.

15. Taxes and Duties

All invoices submitted by Vendor shall show as a separate item any applicable Goods and Services Tax ("GST"), other sales tax, and duty payable. Vendor shall furnish to CLL all documentation required for GST purposes, and, upon request, all documentation required for duty drawback purposes, and all customs invoices, declarations and evidence of import costs as may be reasonably required by CLL for any goods or services provided hereunder.

16. Holdbacks

At CLL's option, payment to Vendor other than the advance payment shall be subject to:

(i) the holdback provisions of any applicable legislation, including builder's lien legislation;

(ii) receipt of satisfactory evidence of Vendor's good standing under Worker's Compensation legislation; and

(iii) receipt by CLL of satisfactory evidence of Vendor's compliance with the insurance requirements in Clause 11.

17. Set Off

CLL shall be entitled to set off any amounts owing from Vendor to CLL under the Agreement.

18. Shipping

All packaging and transportation costs and charges relating to goods supplied hereunder are for Vendor's account unless otherwise expressly stated.

19. Excess Material

Goods supplied in error or in excess of the amounts ordered hereunder may be returned by CLL to Vendor. Vendor shall pay all shipping and return freight costs, and shall reimburse CLL for any such goods paid for by CLL.

20. Expediting

The goods furnished under this Agreement shall be subject to expediting by CLL or its representative. CLL's representative shall be allowed reasonable access to Vendor's facilities and those of its suppliers and contractors for expediting purposes. At CLL's request, Vendor shall supply manufacturing and delivery schedules and progress reports for CLL's use in expediting the goods.

21. Delivery

The goods will be delivered by Vendor to CLL as provided/specified in the Purchase Order.

Vendor must deliver the goods to CLL not later than December 22, 2014 ("Date for Delivery").

CLL must accept delivery of the goods on the Notified Date of Delivery. As used herein "Notified Date of Delivery" means: the date stated as the date of delivery in Vendor's written notice given to CLL at least fourteen (14) days in advance, which date must not be earlier than four (4) weeks prior to the Date for Delivery.

22. Delay in Delivery

(i) In the event and to the extent that the delivery of the goods is delayed for more than fourteen (14) days for reasons attributable to Vendor, Vendor shall pay to CLL liquidated damages for delay at a rate of 0.1% of the Contract Price per week (and a prorated percentage for a part of a week) for each day of delay commencing from the fifteenth (15th) day of delay in delivery.

(ii) Liquidated damages for delay as set forth hereinabove shall be CLL's sole remedy for delay in delivery of the goods and shall not exceed in the aggregate 5% of the total price specified in this Agreement.

23. Inspection

CLL or its representative shall have the right to inspect the goods provided or the services performed hereunder at any time during the term of this Agreement after reasonable coordination, to perform final inspections and to reject non-conforming goods and defective services at any time.

24. Forms

This Agreement contains the only contractual terms and conditions between the parties relating to the provision of the goods and services by Vendor, notwithstanding anything contained or implied in any invoices or other documentation of Vendor, and prevails over any terms or conditions contained in any such invoices or documentation.

25. Commercial Practice, Gifts and Entertainment
Moderate hospitality is an accepted courtesy of a business relationship but should be accepted only at a level and frequency which an employee could provide in return, at expense of CLL. Vendor will not offer hospitality or inducements that violate the foregoing, and shall advise CLL of any attempt by an employee of CLL who is in a position to make or influence commitments to Vendor to use his position for the solicitation of funds or goods for charitable or other purposes.

26. Record Retention and Audit
During the term of this Agreement, and for a period of two (2) years thereafter, Vendor shall maintain, in accordance with generally accepted accounting principles, all records and related systems of control necessary for an accurate audit and verification of costs payable to Vendor in case of termination. In case of termination entitling Vendor to costs CLL shall, , upon providing reasonable prior notice to Vendor, have access to and be authorized to examine and make copies of such records and systems of control, which are relevant to such costs. Vendor agrees that the two (2) year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act* (Alberta) is extended, for claims disclosed by an audit, by two (2) years after the time of the audit permitted by this Agreement.

27. Notices

All communications required or permitted to be given hereunder shall be deemed properly given if in writing and delivered personally or sent by registered mail to the parties at their addresses identified in this Agreement. A notice sent by registered mail shall be deemed received seven (7) business days after such mailing. Notices under this Agreement may be given by way of faxed communications and shall be deemed to be received the business day after transmission.

28. Property and Title in Goods

Unless otherwise expressly stated, the property in and title to any goods provided by Vendor to CLL under this Agreement shall transfer to CLL upon delivery of the goods to CLL.

29. Confidentiality

The parties shall treat as confidential and shall not, without the prior written consent of the other party, publish or disclose or permit to be published or disclosed, any information supplied to, obtained by, or which comes to the knowledge of the parties as a result of this Agreement except as required by law, rules or regulations or as is necessary to enable either party to fulfill any obligations that party may have under this Agreement. The intellectual property in any and all knowhow, specifications and technical information pertaining to the goods including, without limitation the Piping and Instrumentation Diagram (P&ID), the layout and all other documents listed in Appendix B (Documents Delivery) will rest and remain with Vendor; and CLL will not use the same for any purpose except the installation, operation and maintenance of the goods supplied by Vendor.

30. United Nations Convention on Contracts for the International Sale of Goods

The United Nations Convention on Contracts for the International Sale of Goods does not apply to the goods provided under this Agreement.

31. Incoterms

Any reference in this Agreement to Incoterms is a reference to Incoterms 2010. (See i-b-t.net/incoterms.html).

32. Change Orders

(i) No variation or change in the goods shall be made by Vendor unless a change order meeting the requirements (ii) below is executed by both Parties by mutual agreement.

(ii) A change order shall be in writing, shall be executed by CLL and Vendor and shall specify (i) the nature and details of the variation/s to be made in the goods;(ii) the adjustment to the Contract Price to be made in view of the variation(s); (iii) the extension of time to be granted to Vendor in view of the said variation(s); and (iv) the effect, if any, of the said variation(s) on Vendor of the said variation(s) and/or the Guaranteed Performances.

33. Liability

(i) Each party shall be responsible for its respective works and actions and shall indemnify the other party against any such responsibility or liability arising therefrom.

(ii) Each party shall indemnify the other party, its officers and employees, against any extra costs, loss, damage, third party claim, or liability which the other party may sustain as a result of a breach of this Agreement by the first party, or of the first party's failure to timely fulfill any of its responsibilities or of a delay caused by the first party or anyone on its behalf or as a result of death, personal injury or damage to property caused by the negligence or willful misconduct of the first party or its officers, employees or subcontractors.

34. Limitations of Liability

Notwithstanding anything to the contrary in this Agreement -

(i) Vendor's total aggregate liability arising howsoever under or in connection with this Agreement or its performance (whether in contract, tort or otherwise) shall be limited to a maximum aggregate amount equal to 100% of the price.

(ii) Vendor shall not be liable in any event for the loss of anticipated profits, or for any indirect or consequential loss or damage of any nature arising out of any cause whatsoever.

(iii) The total amount of Liquidated Damages for Performance Failure (as referred to in Appendix D (Performance Test)) payable by Vendor shall not exceed a maximum of 10% of the price. Liquidated Damages for Performance Failure as set out in Appendix D shall be CLL's sole remedy for failure to achieve the Guaranteed Performances.

EXHIBIT B
STATEMENT OF CLAIM

THIS IS EXHIBIT "B"
Referred to in the Affidavit of
Merle Johnson
Sworn before me this 10
Day of April A.D., 2017.

A Commissioner for Oaths in and for the Province of Alberta

Danielle S. Maréchal
Barrister and Solicitor

Form 10
[Rule 3.25]

COURT FILE NUMBER	1601 - 07421	Clerk's Stamp CLERK OF THE COURT FILED JUN 03 2016 JUDICIAL CENTRE OF CALGARY
COURT	Court of Queen's Bench of Alberta	
JUDICIAL CENTRE	Calgary	
PLAINTIFF	CONNACHER OIL AND GAS LIMITED	
DEFENDANT	IDE TECHNOLOGIES LTD.	
DOCUMENT	**STATEMENT OF CLAIM**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**CASSELS BROCK & BLACKWELL LLP** 2100 Scotia Plaza 40 King Street West Toronto, ON M5H 3C2 Tel: 416.869.5300 Fax: 416.360.8877 Timothy Pinos Tel: 416.869.5784 Fax: 416.350.6903 tpinos@casselsbrock.com Stephanie Voudouris Tel: 416.860.6617 Fax: 416.642.7145 svoudouris@casselsbrock.com	

NOTICE TO DEFENDANT(S)

You are being sued. You are a Defendant.

Go to the end of this document to see what you can do and when you must do it.

Statement of facts relied on:

1. The Plaintiff brings this claim on the basis that the Respondent, IDE Technologies Ltd. ("**IDE**") has breached Purchase Order No. GDMINIEXPB.PD001 (the "**Purchase Order**"), the appendices thereto, and the Connacher Oil and Gas Limited Purchase Order Terms and Conditions (the "**Terms and Conditions**"), (collectively, the "**Agreement**") by failing to complete and deliver the equipment contracted for.

<u>The Parties and Basis for the Claim</u>

2. Connacher Oil and Gas Limited ("**Connacher**") is a Calgary-based exploration, development and production company active in the production of bitumen.

3. IDE is a company that specializes in the development, engineering, construction, and operation of enhanced desalination and industrial water treatment plants, with its headquarters in Israel and various offices worldwide.

4. Pursuant to section 6 of the Terms and Conditions, IDE attorned to the exclusive jurisdiction of the courts of the Province of Alberta and agreed that the Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta.

<u>The Agreement</u>

5. On January 22, 2014, Connacher and IDE entered into the Agreement. Pursuant to sections 1 and 24 of the Terms and Conditions, the Agreement contained all of the terms agreed to by the parties relating to the provision of the goods and services by IDE.

6. As specified in the Purchase Order, IDE was to deliver two skid mounted MVC-250 evaporator packages (the "**Evaporators**") to Connacher. Connacher paid IDE a total of $2,014,669.85 as follows:

(a) $604,405.85 (inclusive of GST and $50 wire fee) on April 12, 2014 – Invoice No. SI146P000004;

(b) $805,858.00 (inclusive of GST and $50 wire fee) on June 10, 2014 – Invoice No. SI146P000005; and

(c) $604,406.00 (inclusive of GST and $50.00 wire fee) on September 23, 2014 – Invoice No. SI146P000019

7. Pursuant to section 21 of the Terms and Conditions, IDE was required to deliver the Evaporators not later than December 22, 2014. Further to scheduling discussions between the parties, Connacher consented to a change order on June 10, 2015 pursuant to section 32 of the Agreement, with unspecified schedule impacts.

8. From about October 2015 through November 2015, IDE repeatedly assured Connacher that it was working diligently to obtain the Evaporators and would deliver same as soon as possible. IDE failed to do so.

9. On December 3, 2015, Connacher advised IDE that it would need to ship the Evaporators to its site by mid-January 2016. Connacher requested that IDE provide a detailed schedule with the remaining activities and steps required for delivery of the Evaporators to Connacher. IDE failed to do so.

10. Connacher repeatedly requested delivery of the Evaporators to no avail. On April 14, 2016, Connacher provided formal notice to IDE pursuant to sections 10 and 21 of the Terms and Conditions of IDE's failure to perform under the Agreement (the "**Notice**"). Pursuant to section 10 of the Terms and Conditions, Connacher demanded that, within 30 days of the Notice, IDE either deliver the Evaporators or reimburse Connacher for payments made as set out in paragraph 5 above, and provide payment of the penalty of $198,694.24 as set out in section 22 of the Terms and Conditions.

11. IDE did not cure its default as required within the 30 day period (either through delivery or reimbursement). IDE has breached the terms of the Agreement and Connacher is entitled to damages.

Remedy sought:

12. The Plaintiff seeks damages in the amount of $2,213,364.10 being the amount Connacher has paid for the Evaporators ($2,014,669.85) to date plus the penalty amount owing pursuant to section 22 of the Terms and Conditions ($198,694.25).

NOTICE TO THE DEFENDANT(S)

You only have a short time to do something to defend yourself against this Claim:

20 days if you are served in Alberta
1 month if you are served outside Alberta but in Canada
2 months if you are served outside Canada.

You can respond by filing a Statement of Defence or a Demand for Notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your Statement of Defence or a Demand for Notice on the Plaintiff's(s') address for service.

WARNING

If you do not file and serve a Statement of Defence or a Demand for Notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a Court may give a judgment to the Plaintiff(s) against you.

EXHIBIT C
STATEMENT OF DEFENCE

THIS IS EXHIBIT "C"
Referred to in the Affidavit of
Merle Johnson
Sworn before me this 10
Day of April A.D., 20 17.

A Commissioner for Oaths in and for the Province of Alberta

Danielle S. Maréchal
Barrister and Solicitor

Form 11
[Rule 3.31]

Clerk's Stamp
FILED
OCT 24 2016
JUDICIAL CENTRE

COURT FILE NUMBER	1601-07421
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	CONNACHER OIL AND GAS LIMITED
DEFENDANTS	IDE TECHNOLOGIES LTD.
DOCUMENT	**STATEMENT OF DEFENCE**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**OSLER, HOSKIN & HARCOURT LLP** Barristers & Solicitors Suite 2500, 450 – 1st Street SW Calgary, AB T2P 5H1 Solicitors: Melissa N. Burkett / Taylor Schappert Telephone: 403.260.7045 / 7039 Facsimile: 403.260.7024 Email: mburkett@osler.com / taschappert@osler.com File Number: 1167904

Statement of Facts Relied on:

1. The Defendant, IDE Technologies Ltd. ("**IDE**"), admits paragraphs 2-4 of the Statement of Claim of the Plaintiff, Connacher Oil and Gas Limited ("**Connacher**").

2. Except as expressly admitted herein or where an allegation in the Statement of Claim amounts to an admission by Connacher, IDE denies each and every other allegation in the Statement of Claim and puts the Plaintiff to the strict proof thereof.

3. IDE is a company incorporated pursuant to the laws of the State of Israel.

The Connacher Agreement

4. Pursuant to a purchase agreement between Connacher and IDE dated January 22, 2014 (the "**Connacher Agreement**"), IDE agreed to sell, and Connacher agreed to purchase, certain goods and equipment (the "**Equipment**") (including Specialized Components, as defined below) on or before January 2015 (the "**Delivery Date**").

The Chamco Agreement

5. At all material times, Connacher knew or ought to have known that IDE had subcontracted certain aspects of the manufacture of the Equipment (including the integration of the Specialized Components into the Equipment) to Chamco Industries Ltd. ("**Chamco**"), a limited liability company incorporated pursuant to the laws of British Columbia and extra-provincially registered in Alberta, and that such Equipment was to be assembled by Chamco prior to delivery to Connacher.

6. As a result of Chamco's delay in manufacturing the Equipment, IDE requested, and Connacher agreed to, a revised Delivery Date.

Any Matters that Defeat the Plaintiff's Claim:

7. In specific response to paragraph 8 of the Statement of Claim, at all material times IDE has worked diligently to facilitate the completion and delivery of the Equipment from Chamco.

8. In specific response to paragraph 10 of the Statement of Claim, IDE denies that it failed to perform its obligations under the terms of the Connacher Agreement. IDE pleads, and the fact is, it was an express or implied term of the Connacher Agreement that the Delivery Date was dependent on the date the Equipment, including the Specialized Components, was supplied to IDE by Chamco.

9. Further, and in the alternative, Connacher is estopped from claiming that IDE breached the Connacher Agreement. Connacher, by its actions, represented that the Delivery Date would be extended until such time as Chamco delivered the Equipment, including the Specialized Components, to IDE, and such representations were relied upon by IDE.

10. IDE denies that Connacher has suffered damages as alleged or at all. If Connacher has suffered damages, which is expressly denied, such damages are directly attributable to Chamco's breach of the Purchase Order. IDE claims contribution and indemnity from Chamco.

Remedy Sought:

11. IDE asks that this Action against it be dismissed and that it be awarded costs on a solicitor and client basis.

EXHIBIT D
SETTLEMENT AGREEMENT

THIS IS EXHIBIT "D"
Referred to in the Affidavit of
Merle Johnson
Sworn before me this 10
Day of April A.D., 2017

A Commissioner for Oaths in and for the Province of Alberta

Danielle S. Maréchal
Barrister and Solicitor

MINUTES OF SETTLEMENT (the "**Settlement**")

BETWEEN:

IDE TECHNOLOGIES LTD. ("**IDE**")

- and -

CONNACHER OIL AND GAS LIMITED ("**Connacher**")

RECITALS:

Whereas:

A. IDE and Connacher (each a "**Party**" and together the "**Parties**") are parties to Purchase Order No. GDMINIEXPB.PD001 (the "**Purchase Order**"), including the appendices thereto and the Connacher Purchase Order Terms and Conditions (the "**Terms and Conditions**") (the Purchase Order and Terms and Conditions are together referred to as the "**Agreement**"), whereby IDE agreed to supply and deliver to Connacher certain goods and equipment more fully described in the Agreement (collectively, the "**Equipment**"), including two skid mounted MVC-250 evaporator packages (together the "**Units**" and each a "**Unit**");

B. Connacher commenced Court of Queen's Bench Action No. 1601-07421 (the "**Action**") against IDE seeking, *inter alia*, damages for IDE's alleged failure to deliver the Equipment in accordance with the Agreement;

C. IDE filed a Defence in the Action disputing that the alleged breaches of the Agreement are attributable to IDE;

D. 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**");

E. The Parties have agreed to fully and finally resolve and settle all matters between them related to the Action;

THEREFORE, IN CONSIDERATION OF THE PREMISES AND COVENANTS CONTAINED HEREIN, AND OTHER GOOD AND VALUABLE CONSIDERATION, THE SUFFICIENCY AND RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES 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 IDE (which notice may be by email from legal counsel to Connacher to legal counsel to IDE) that such conditions have been satisfied (the "**Settlement Conditions Satisfaction Notice**"):

   a) IDE shall arrange for reasonable access to be provided to Connacher to attend at the facility of Chamco Industries Ltd. ("**Chamco**") to inspect the Equipment between March 20 – 24, 2017 (the "**Inspection**");

   b) Within 5 business days after the Settlement Order, as defined below, is obtained, at the request of Connacher, IDE shall provide Connacher with reasonable access to IDE's facility to further inspect the Equipment (the "**Further Inspection**"), which Further Inspection shall be completed within two business days of IDE providing access. For further clarity, Connacher shall only be entitled to a Further Inspection in the event that the Equipment has been transferred to IDE's facility prior to the Pick-Up, as defined below;

   c) Connacher performing a full inspection of the Equipment in accordance with the Agreement and this Settlement and Connacher being satisfied that the Unit, selected by Connacher in its sole discretion (the "**Selected Unit**"), conforms with the specifications set forth in the Agreement and is reasonably fit for the purpose intended;

d) A final order of the Court approving this Settlement and authorizing Connacher to perform its obligations hereunder (the "**Settlement Order**") without any modification, amendment or alteration unless consented to in writing by Connacher in its discretion;

e) Within 30 calendar days following the Inspection, IDE, Connacher, and Chamco executing a Delivery Receipt, in the form attached as Schedule "A" to this Settlement, confirming that Chamco has provided permission to Connacher and IDE to remove the Equipment and final documentation from Chamco's yard located at 8900 Venture Avenue SE, Calgary, Alberta, and that the Equipment shall be free of any liens, conditions, obligations, payments or claims of any nature or kind whatsoever made on behalf of Chamco;

f) After the Settlement Order is obtained, IDE shall arrange for access to be provided to Connacher and its agents to attend:

   a. at Chamco's facility within 15-30 calendar days of the Settlement Order to crate and remove the Selected Unit, including the equipment listed on Schedule "C" (the "Schedule C Equipment"), from Chamco's yard (the "**Pick-Up**"); or

   b. in the event the Equipment has been transferred to IDE prior to the Pick-Up, at IDE's facility, located in Calgary, Alberta, within 10-15 calendar days of the Further Inspection, or, in the event that no Further Inspection is requested by Connacher, within 10-15 calendar days of the Settlement Order, to crate and remove the Selected Unit and the Schedule C Equipment, from IDE's facility (the "**Alternate Pick-Up**"), provided that Connacher has access to the facility from Day 1 of the 10-15 day period to allow time for crating of the Selected Unit and Schedule C Equipment.

3. Connacher shall apply for the Settlement Order on April 19, 2017, or such other date as agreed between Connacher and IDE, acting reasonably. IDE 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 seven business days of receiving the Settlement Conditions Satisfaction Notice, IDE shall pay Connacher CND $210,000.00 (the "**Payment**") by wire transfer using the payment information provided by Connacher to IDE.

5. Connacher shall arrange for Pick-Up or Alternate Pick-Up of the Selected Unit. Connacher will notify Chamco or IDE, as applicable, in writing (and provide a copy of such written notice to IDE) of the date and time as designated by Connacher for Pick-Up or Alternate Pick-Up which shall be within the time set out above in section 2(f). The cost of Pick-Up or Alternate Pick-Up and transportation of the Selected Unit, including the Schedule C Equipment, to Connacher's facilities shall be borne by Connacher in accordance with the Agreement.

6. Upon the occurrence of the Pick-Up or Alternate Pick-Up, title to the Selected Unit and Schedule C Equipment shall transfer immediately to Connacher free and clear of all liens, conditions, obligations, payments or claims of any nature or kind whatsoever, including third party claims and claims of material suppliers, subcontractors or vendors. IDE shall have responsibility for all loss and damage to the Selected Unit and Schedule C Equipment until the Pick-Up or Alternate Pick-Up, as applicable.

7. Within 15 days of Pick-Up or Alternate Pick-Up of the Selected Unit and the Schedule C Equipment and receipt of the Payment, Connacher agrees to file a Discontinuance of Claim in the Action on a without costs basis.

8. Effective immediately upon the later of (i) Connacher taking possession of the Selected Unit and Schedule C Equipment and (ii) receiving the Payment (the "**Rescission and Amendment Time**"), Connacher rescinds its termination of the Agreement. The Parties agree that, effective at the Rescission and Amendment Time, the Agreement is amended and, in particular, Appendix "A" Scope of Supply, shall be amended such that IDE's obligations under the Agreement are to supply one skid mounted MCV-250 evaporator unit, being the Selected Unit, as opposed to two Units. IDE shall retain sole ownership of the second Unit, and, effective at the Rescission and Amendment Time, Connacher hereby waives any claim or rights to the second Unit. The Parties agree that all other terms of the Agreement, including and specifically the warranty terms contained in section 4 of the Connacher Terms and Conditions will continue to apply.

9. IDE will be liable to Connacher for all direct losses, costs, fines, penalties, damages, injuries, expenses (including legal expenses on a full indemnity basis) which Connacher may suffer, sustain, pay or incur and indemnify and hold harmless Connacher, its officers, directors and employees (the "**Connacher Indemnitees**"), from and against any direct losses, costs, fines penalties, damages, expenses (including legal expenses on a full indemnity basis), actions, claims, demands, liabilities, obligations and causes of action of every kind and nature whatsoever which may be sustained, incurred, paid, suffered or brought against the Connacher Indemnitees by reason of anything that may arise as a result of a breach by IDE of this Settlement.

10. Connacher will be liable to IDE for all direct losses, costs, fines, penalties, damages, injuries, expenses (including legal expenses on a full indemnity basis) which IDE may suffer, sustain, pay or incur and indemnify and hold harmless IDE, its officers, directors and employees (the "**IDE Indemnitees**"), from and against any direct losses, costs, fines penalties, damages, expenses (including legal expenses on a full indemnity basis), actions, claims, demands, liabilities, obligations and causes of action of every kind and nature whatsoever which may be sustained, incurred, paid, suffered or brought against the IDE Indemnitees by reason of anything that may arise as a result of a breach by Connacher of this Settlement.

11. The Parties agree and undertake to sign the Mutual Release attached hereto as Schedule "B".

12. 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.

13. The Parties agree that the terms of this Settlement shall be confidential and will not be disclosed to any other person or entity, except: (i) disclosure by Connacher to Ernst & Young Inc. in its capacity as CCAA monitor (the "**Monitor**") and to Connacher's Interim Lenders (as such term is defined in the Initial Order) and their advisors, (ii) to the extent such terms are publicly disclosed by Connacher or by the Monitor in any Court filings in connection

with Connacher's application to the Court seeking approval of this Settlement, (iii) such disclosure that is required for tax reporting purposes, or (iv) as otherwise may be required by applicable law.

14. The Parties agree and acknowledge that there is no admission of liability or wrongdoing by either Party and this Settlement is entered into by each party without prejudice to its position and rights.

15. Time is of the essence in the performance of the Parties' respective obligations under this Settlement.

16. This Settlement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

17. All amounts in this Settlement are stated, and shall be paid in, Canadian dollars.

18. This Settlement contains all of the understandings and agreements between the Parties regarding the subject matter hereof.

19. This Settlement shall not be amended, modified, or terminated except by written agreement between the parties.

20. This Settlement may be executed and delivered (including by facsimile transmission) in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

IN WITNESS WHEREOF the Parties have executed this Settlement this 9th day of April, 2017.

IDE TECHNOLOGIES LTD.

Per: ______________________________

Name:	**Amnon Levy**	**Gal Zohar**
Title:	CEO, IDE Projects	President, IDE Projects

CONNACHER OIL AND GAS LIMITED

Per: ______________________________

Name:

Title:

IN WITNESS WHEREOF the Parties have executed this Settlement this 9th day of April, 2017.

IDE TECHNOLOGIES LTD.

Per: ______________________________
Name:
Title:

CONNACHER OIL AND GAS LIMITED

Per: Merle Johnson
Name: Merle Johnson
Title: Chief Executive Officer

Schedule "A"

DELIVERY RECEIPT

____________________________, 2017

IDE Technologies Ltd. ("IDE") and Connacher Oil and Gas Limited ("Connacher") confirm that Chamco Industries Ltd. ("Chamco") has provided permission to IDE and Connacher to remove the Equipment (as defined in the Minutes of Settlement between IDE and Chamco executed by the parties on or about April __, 2017) and final documentation from Chamco's yard located at ________________________.

The Equipment shall be free of any liens, conditions, obligations, payments or claims of any nature or kind whatsoever made on behalf of Chamco.

Date:

IDE Technologies Ltd.

Witness: ____________________

Print Name: __________________

Per __________________________________
Name:
Title:

Date:

Connacher Oil and Gas Limited

Witness: ____________________

Print Name: __________________

Per __________________________________
Name:
Title:

Date:

Chamco Industries Ltd.

Witness: ____________________

Print Name: __________________

Per __________________________________
Name:
Title:

Schedule "B"

MUTUAL RELEASE

In consideration of the mutual covenants contained in this Mutual Release and in the Minutes of Settlement between the parties hereto made effective the ___ day of April, 2017 (the "**Settlement**"), and other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. This Mutual Release is effective as of the ___ day of April, 2017 (the "**Effective Date**").

2. Capitalized terms appearing in, but not defined in, this Mutual Release have the meanings set out in the Settlement.

3. IDE Technologies Ltd. ("**IDE**") hereby releases and discharges Connacher Oil and Gas Limited ("**Connacher**"), and each of Connacher's respective affiliated corporations, trusts, partnerships and other entities, and each of their respective past, present and future directors, trustees, officers, employees and agents (collectively the "**Additional Connacher Releasees**") from all past and current claims and demands arising from or in connection with Court of Queen's Bench Action No. 1601-07421 (the "**Action**") as of the date of the Settlement.

4. IDE further covenants and agrees that it will not take or continue, and will not permit any entity, which it now or hereafter controls, to take or continue proceedings arising from the Action against any person who might claim contribution, indemnity or other relief against Connacher or any of the Additional Connacher Releasees in respect of any matter falling within the scope of the matters described in paragraph 3.

5. Connacher hereby releases and discharges IDE, and each of its affiliated corporations, trusts, partnerships and other entities, and each of its and their respective past, present and future directors, trustees, officers, employees and agents (collectively the "**Additional IDE Releasees**") from all past and current claims and demands arising from or in connection with the Action as of the date of the Settlement. For the sake of clarity, IDE agrees that this release and discharge does not apply to any claims made by

Connacher pursuant to the warranty terms contained in section 4 of the Connacher Terms and Conditions which form part of the Settlement.

6. Connacher further covenants and agrees that it will not take or continue, and will not permit any entity, which it now or hereafter controls to take or continue proceedings arising from the Action against any person who might claim contribution, indemnity or other relief against IDE or any of the Additional IDE Releasees in respect of any matter falling within the scope of the matters described in paragraph 5.

7. Each of IDE and Connacher agrees that the Settlement and Mutual Release is intended to apply to the delivery of the Unit in compliance with the Agreement, as such terms are defined in the Settlement.

8. Each of IDE and Connacher agrees that nothing in this Mutual Release shall release either party from its obligations under the Settlement.

9. Each of IDE and Connacher represents and warrants to the other that it has not assigned or otherwise disposed of any of the claims or demands which are the subject of this Mutual Release.

10. IDE agrees that the Additional Connacher Releasees are third-party beneficiaries of this Mutual Release and that it intends to confer a benefit upon each of them which is enforceable by each of them.

11. Connacher agrees that the Additional IDE Releasees are third-party beneficiaries of this Mutual Release and that it intends to confer a benefit upon each of them which is enforceable by each of them.

12. This Mutual Release shall enure to the benefit of and be binding upon the parties and their respective officers, directors, shareholders, principals, agents, employees, insurers, executors, heirs, beneficiaries, administrators, successors and assigns, as may be applicable.

13. IDE and Connacher agree that neither of them, and none of the Additional IDE Releasees or the Additional Connacher Releasees, admit liability in respect of the matters which are

the subject of this Mutual Release, and that such liability is expressly denied by each of them.

14. IDE and Connacher undertake and agree to maintain confidential both the fact of the settlement, in connection with which this Mutual Release is delivered, and the terms of such settlement and the existence of the Settlement, except as permitted in the Settlement and provided that they may disclose the settlement and its terms to their respective professional advisers for the purpose of receiving their professional advice.

15. This Mutual Release shall be governed by the laws of the Province of Alberta and the laws of Canada applicable therein.

16. Each of IDE and Connacher acknowledges and agrees that it fully understands the terms of this Mutual Release and has delivered same voluntarily, after receiving independent legal advice, for the purpose of making full and final compromise and settlement of the claims and demands which are the subject of this Mutual Release.

17. This Mutual Release may be executed in any number of counterparts with the same effect as if all parties had executed the same document. All counterparts shall be construed together and shall constitute one and the same Mutual Release. Each counterpart of this Mutual Release may be executed in either original or faxed form.

[*The remainder of this page is intentionally left blank*]

IDE TECHNOLOGIES LTD.

Per: ______________________________
Name:
Title:

CONNACHER OIL AND GAS LIMITED

Per: ______________________________
Name:
Title:

Schedule "C"

Equipment List:

1 MVC-250 Evaporator Package
1 MCC
1 VFD (132 KW)
1 HCL Dosing Skid
1 Antiscalant Dosing Skid
1 Antifoam Dosing Skid
1 Antifoam Slug dosing skid
1 Chelating Agent dosing skid
1 Oil Dispersant dosing skid
1 NaOH 50% dosing skid
1 Demister Wash NaOH dosing skid
1 Cleaning Skid
VFDs for the dosing skids