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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	THIRD EYE CAPITAL CORPORATION
RESPONDENTS	RANCH ENERGY CORPORATION, OPSMOBIL INC., 1734163 ALBERTA INC., 1859821 ALBERTA INC., OPSMOBIL GROUP INC., OPSMOBIL CONSTRUCTION INC., OPSMOBIL ENERGY SERVICES INC., AIR DALLAIRE LTD. AND K.L. CAPITAL CORP.
DOCUMENT	FOURTH REPORT OF THE RECEIVER OCTOBER 24, 2018
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>RECEIVER</u> Ernst & Young Inc. Calgary City Centre 2200, 215 2nd Street SW Calgary, AB T2P 1M4 Attention: Neil Narfason / Duncan MacRae Telephone: (403) 206-5067 / (403) 206-5035 Fax: (403) 206-5075 Email: neil.narfason@ca.ey.com / duncan.macrae@ca.ey.com <u>RECEIVER'S COUNSEL</u> Borden Ladner Gervais LLP Josef G.A. Kruger, Q.C. / Robyn Gurofsky 1900, 520 3rd Ave SW Calgary, AB T2P 0R3 Phone: (403) 232-9563 / (403) 232-9774 Fax: (403) 266-1395 Email: jkruger@blg.com / rgurofsky@blg.com

TABLE OF CONTENTS

APPENDICES

INTRODUCTION

1. Third Eye Capital Corporation ("TEC") issued a notice of intention to enforce security on June 6, 2018, pursuant to section 244(1) of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3 as amended (the "BIA") against Ranch Energy Corporation ("Ranch"), OpsMobil Inc. ("OMI"), 1734163 Alberta Inc. ("1734 AB"), 1859821 Alberta Inc. ("1859 AB"), OpsMobil Group Inc. ("OMGI"), OpsMobil Construction Inc. ("OMCI"), OpsMobil Energy Services Inc. ("OMESI"), Air Dallaire Ltd. ("Air Dallaire") and K.L. Capital Corp. ("KLCC") (collectively the "Corporations"). OMI, OMGI, OMCI, OMESI, Air Dallaire and KLCC are collectively referred to as "OpsMobil".

2. Ernst & Young Inc. ("EYI") was appointed as receiver (the "Receiver") of the Corporations' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property") pursuant to an order of the Court of Queen's Bench of Alberta (the "Honourable Court") dated July 19, 2018, (the "Receivership Date"), as amended on August 7, 2018 (the "Receivership Order").

3. The Receivership Order authorizes the Receiver, among other things, to manage, operate and carry on the business of the Corporations, including the powers to enter into any agreements, incur any obligations in the ordinary course of business and cease to perform any contracts of the Corporations.

4. Predator Oil BC Ltd. ("Predator BC") filed an application for advice and direction (the "Predator BC Application") on October 16, 2018 regarding operatorship of the oil and gas assets owned by Ranch (the "PNG Assets"). The Receiver prepared its third report dated October 17, 2017 (the "Third Report") to address Predator BC's submission that its application was urgent and should be heard prior to October 25, 2018.

5. On October 18, 2018, this Honourable Court concluded that the Predator BC Application was not urgent, did not need to be heard before October 25, 2018 and adjourned the matter *sine die*. The Predator BC Application has since been scheduled on November 7, 2018 at 2:00 p.m.

PURPOSE

6. The purpose of this fourth report of the Receiver (the "Fourth Report") is to file a comprehensive report responding substantively to the Predator BC Application, supplementing the information provided in the Third Report, and to provide the Receiver's recommendation in respect of the Predator BC Application.

TERMS OF REFERENCE

7. All references to dollars are in Canadian currency unless otherwise noted.

8. Capitalized terms not defined in this Fourth Report are as defined in the Receivership Order.

BRIEF HISTORY OF THE PNG ASSET TRANSACTION

9. Ranch was incorporated to acquire approximately 1,600 oil and gas wells in northeast British Columbia and a gas processing plant in the Wildboy district of British Columbia (the "Wildboy Plant") from Predator BC pursuant to a purchase and sale agreement dated May 8, 2017 (the "Predator BC PSA"). Ranch operates some, but not all of the PNG Assets.

10. In or around January 2017, Predator Oil Ltd. caused Predator BC to be incorporated to enter into a purchase and sale agreement with Penn West Petroleum (the "Penn West Transaction"). Pursuant to the Penn West Transaction, Predator BC purchased a large number of gas wells, facilities, pipelines, interests and related assets (the "Penn West Assets") which included among other things, the PNG Assets. At the time of the Penn West Transaction, Predator BC had no assets of its own and was funded for the purpose of facilitating the Penn West Transaction by Predator Oil Ltd.

11. Prior to the acquisition of the PNG Assets by Ranch, Predator BC sold a number of the Penn West Assets with limited or no liabilities, to other related parties of Predator Oil Ltd. These Penn West Assets sold include but are not limited to certain valuable mineral interests in the Montney basin in northeast British Columbia and a pipeline necessary to effect transportation of production from the Wildboy Plant. Subsequent to these sales, Predator BC then sold the PNG Assets to Ranch pursuant to the Predator BC PSA.

12. The PNG Assets are regulated by the British Columbia Oil and Gas Commission (the "BCOGC") and carry approximately $105 million in abandonment and reclamation obligations. When Ranch purchased the PNG Assets from Predator BC, it was not qualified to hold the associated permits under the BCOGC's regulatory regime. As a result and in order to circumvent the regulatory requirements, Ranch and Predator BC entered into a trust agreement dated June 16, 2017 (the "Trust Agreement") whereby Predator BC would hold the permits in trust for Ranch until the permits could be transferred to Ranch. The permits continue to be held by Predator BC. Given Ranch's insolvency, there is no real likelihood of the permits ever being transferred from Predator BC to Ranch.

13. Prior to closing the Predator BC PSA, Predator BC made a $15 million cash deposit to the BCOGC representing an increase to the deemed asset quantification of its liability management ratio ("LMR") required to satisfy certain of the liabilities associated with the PNG Assets. The Receiver understands that this deposit was a factor which influenced the BCOGC to transfer the permits from Penn West Petroleum to Predator BC.

14. When Ranch acquired the PNG Assets from Predator BC, Mr. Tobber was the Chief Executive Officer and was listed as the sole director and sole shareholder of Ranch. In June 2018, Mr. Tobber became the indirect sole shareholder of Predator BC and the Chief Executive Officer of Predator BC. The Receiver understands that Mr. Tobber remains the indirect sole shareholder and CEO of Predator BC.

STATUS OF THE INSOLVENCY PROCEEDINGS

<u>CCAA</u>

15. EYI's involvement with the Corporations began on July 10, 2018, pursuant to an order of this Honourable Court, granting the Corporations protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"), at which point in time EYI was appointed as monitor (the "Monitor") of the Corporations. A stay of proceedings was granted as against the Corporations pursuant to the CCAA initial order, up to and including July 20, 2018.

16. Over the course of the period from July 10, 2018 through July 18, 2018, the Monitor evaluated the cash flow projections management had prepared with the assistance of Alvarez & Marsal Canada Inc., which were filed in a pre-filing report of the proposed monitor, dated July 3, 2018.

17. Mr. Tobber advised in the CCAA proceedings that his restructuring plans for Ranch included reactivating certain shut-in wells and refurbishing other OpsMobil aviation property in order to provide new services to Ranch. However, Mr. Tobber did not account for the costs associated with reactivation and operation of such properties in the cash flow forecasts. Further, the Monitor determined that the cash flow projections prepared by management had material omissions in relation to operational expenses associated with the producing PNG Assets, including but not limited to the payment of source deductions, carbon taxes and other remittances to the BC government and additional transportation costs to third parties.

18. As a result, the Monitor determined that even if Mr. Tobber's reactivation and expansion plans were not taken into account, the Corporations would require substantial additional borrowings

than had been obtained and reported in the Corporation's filings in order to finance their existing operations through a CCAA sales and investments solicitation process.

19. As a result, the Monitor filed a Material Adverse Change Report on July 19, 2018, on which day the Court granted the Receivership Order requested by TEC.

Receivership

20. Ranch was in a state of significant disarray when the Receiver was appointed on the Receivership Date. Ranch had unpaid unsecured trade creditors owed over $12.7 million. The PNG Assets were left in poor condition with a large number of non-compliances with the BCOGC. There were immediate concerns that the previous emergency response plan ("ERP") was in certain instances, incorrect and was due to be updated.

21. The Receiver also discovered shortly after its appointment that a sizeable portion of surface and mineral lease rentals had gone unpaid since April 2018. In addition, the Receiver had discovered that the Canada Revenue Agency (the "CRA") had significant claims against OpsMobil and its affiliates for unremitted source deductions, GST and other unsecured claims.

22. The transactions to which Ranch was a party were complex, incomplete and the permit arrangement Ranch had entered into with Predator BC required the Receiver to deal with a very unusual situation. The Receiver was concerned, and remains concerned, that splitting the permits from the underlying assets transferred to Ranch on closing, might be in contravention of the regulator's rules and regulations. The Receiver accordingly maintained close communications with the BCOGC from the outset of its appointment.

23. Upon commencing its investigation into Ranch, the Receiver noted that Mr. Tobber, former employees, current employees and other stakeholders provided the Receiver with conflicting information regarding the corporation's financial information, including the financial burden impacting the company's operations and regulatory status. In addition, the books and records of the company were not up to date and were incomplete. This caused the Receiver to conduct and rely on its own investigation into operations, financing and regulatory requirements, and in certain cases, seek documentation from third parties. Having to do so added a significant additional layer of both work and costs to the proceedings.

24. In addition to dealing with these issues, the Receiver had to address other serious issues with a number of parties, including the BCOGC (related to regulatory and safety issues), the CRA (as a result of significant nonpayment of deemed trust obligations), conflicting security claims by

creditors both in Canada and the USA, and the ongoing dispute involving a purchase and sale agreement between OpsMobil and Airborne Energy Solutions in respect of the OpsMobil aircraft business (described further in the First Report of the Receiver). Even ordinary activities undertaken by receivers, including things like dealing with landlords and taking possession of property, have proved difficult for the Receiver as a result of the disarray left by former management of Ranch.

25. As a result of the above, it took the Receiver longer than usual to analyze the transactions and agreements entered into by Ranch and make conclusions regarding whether such agreements were accretive to the estate. This includes the Receiver's analysis and conclusions on the merits of the Trust Agreement.

DISCLAIMERS

26. Notwithstanding that Predator BC is holding the permits associated with the PNG Assets, Ranch is the owner of the PNG Assets, as acknowledged by Predator BC. Predator BC has no beneficial, working or other economic interest in the PNG Assets. The PNG Assets were transferred to Ranch on closing, including the relevant surface leases, despite the fact that the full purchase price was not yet paid, and despite the fact that Ranch did not yet qualify to become the permitee. Pursuant to the Predator BC PSA and the Trust Agreement, Predator BC was bare trustee, holding the permits in trust for and on behalf of Ranch, for the sole use, enjoyment and benefit of Ranch. The Trust Agreement did not govern operatorship of the PNG Assets. The Predator BC PSA is attached as Appendix 'A' to this Fourth Report. The Trust Agreement is attached as Appendix 'B' to this Fourth Report, together with a copy of an Amended and Restated Trust Agreement which TEC located in its files.

27. It appears to the Receiver, based upon a review of the Predator BC PSA and a Transition Services Agreement entered into by Predator BC and Ranch and appended as Schedule "P" to the Predator BC PSA, that the intention of the parties was that Ranch would take over the operation of the PNG Assets after a designated period of time. In particular, it was contemplated that Predator BC would operate the PNG Assets pursuant to the Transition Services Agreement for a maximum period of three months from May 2017, and that during that period, Predator BC would, among other things, provide training to Ranch's employees in connection with such operations. After that period, it is implied that operations would transition to Ranch and in fact, the Receiver understands that Ranch took over operations on or about July 2017. It does not appear that Ranch and Predator BC entered into any separate operating agreement. When the Receiver was appointed by the Court to, *inter alia*, operate the PNG Assets, neither Predator BC,

Mr. Tobber or the BCOGC made any objection to the Receiver operating the PNG Assets. Those parties all knew from the outset that the Receiver had taken possession of the PNG Assets and was operating them pursuant to the Receivership Order.

28. After its appointment, the Receiver received a number of demands by Predator BC for payment of the administrative fees and other regulatory costs which Predator BC indicated were due and owing to it by Ranch under the Trust Agreement. The Receiver repeatedly advised Predator BC that Ranch did not have the funds to satisfy these obligations and that, given the complex arrangements and status of Ranch's records, that the Receiver required time to analyze the Trust Agreement and related transactions before it could decide whether or not to adopt the Trust Agreement.

29. Over the two to three month period after the Receivership Date, the Receiver undertook an assessment of the Trust Agreement and determined that adopting such agreement would not be commercially reasonable. The Receiver made the decision, in part due to the significant costs and fees payable to Predator BC pursuant to Article 4.1 of the Trust Agreement and because it was impossible for Ranch to qualify as permittee under the BCOGC's regulatory regime.

30. Further, the Receiver has concluded that the Trust Agreement was not the source of Ranch's authority to operate the PNG Assets. Thus, when the Receiver undertook its analysis of the Trust Agreement, it determined that a disclaimer of such agreement should not affect the status quo as regards operation of the PNG Assets.

31. Conversely, the Receiver determined that adopting the Trust Agreement could deprive Ranch's stakeholders of any realizations from the PNG Assets. At no time did the Receiver accept or adopt the Trust Agreement, and on October 2, 2018, the Receiver gave notice to Predator BC that it had completed its analysis and was disclaiming the Trust Agreement. After discovering the existence of the Amended and Restated Trust Agreement, the Receiver gave further notice to Predator BC on October 19, 2018 that like the Trust Agreement, the Receiver did not adopt the Amended and Restated Trust Agreement and the disclaimer notice issued on October 2, 2018 applied to the Amended and Restated Trust Agreement.

32. On September 26, 2018, after the Receivership Date, the BCOGC ordered (the "BCOGC Order") a liability reduction plan with respect to all currently deemed, non-operated "high risk" liabilities (the "BCOGC Ordered Liabilities"), as well as other abandonment requirements seeking a reduction of $19.2 million in deemed liabilities. The BCOGC Order was made against Predator BC as permittee.

33. While the BCOGC Order was made against Predator BC, out of an abundance of caution and as a result of section 14.06(4) of the BIA, the Receiver issued a notice of disclaimer of the BCOGC Ordered Liabilities on October 2, 2018, within 10 days of the date of the BCOGC Order, to clarify that the Receiver will not be liable for failure to comply with such order. The Receiver concurrently advised Predator BC of the Receiver's notice of disclaimer with respect to the BCOGC Ordered Liabilities. The Receiver had consistently advised Predator BC that there was insufficient cash available in the estate to satisfy the significant liabilities associated with the PNG Assets, including but not limited to the BCOGC Ordered Liabilities, and that the Receiver was not in a position to comply with the entirety of the BCOGC's directions to abandon and/or remediate issued prior to the Receivership Date or after.

34. The Receiver informed the BCOGC on October 4, 2018 that although the Receiver had disclaimed and no longer had any responsibility for the disclaimed properties, that the Receiver would informally monitor the disclaimed properties and would inform the BCOGC should any safety and related issues manifest themselves. The Receiver has no duty or obligation to continue monitoring the disclaimed properties, and has made it clear to the BCOGC that it will only continue its informal monitoring on an interim basis and on the express understanding by the BCOGC that the Receiver is doing so without any assumption of duties, obligations or liability of any nature whatsoever.

35. Given the Receiver's analysis of the Trust Agreement and the BCOGC Order, it did not pursue negotiations with Predator BC in respect of the disclaimers issued. The Receiver determined that there was simply no way the Receiver would be in a position to comply with any of the obligations associated with the Trust Agreement and the BCOGC Order and any further discussions with Mr. Tobber on behalf of Predator BC, given prior discussions, would be a futile exercise.

ONGOING OPERATIONS & FINANCING

BCOGC Compliance

36. The Receiver has been in constant communication with the BCOGC and has kept the regulatory body informed of its activities since the Receivership Date.

37. Since the Receivership Date, the Receiver has addressed the concerns with the ERP to the satisfaction of the BCOGC and communicated this to Predator BC as permitee. Additionally, the Receiver has completed 23 deficiencies and non-compliances associated with the PNG Assets in consultation with, and approval of the BCOGC, the majority of which arose prior to the Receivership Date. To date, the Receiver has complied with a number of BCOGC orders at a total

cost of $580,000 and the Receiver has committed a further $270,000 to the BCOGC to rectify regulatory deficiencies. Thus, the Receiver has planned a total spend of $850,000 which was determined in consultation with, and approved by the BCOGC.

38. A major environmental and safety issue that was handled by the Receiver upon its appointment related to a lean amine piping leak. The leak was discovered on July 6, 2018 and an order was issued by the BCOGC, however, Ranch at that time did not have the funds to deal with it. This issue was significant and needed to be addressed immediately. The Receiver funded the repair and the BCOGC order was closed.

39. There are pre-receivership BCOGC deficiencies outstanding, where extensions have been granted, as these require winter access roads.

40. There is also an outstanding pre-receivership BCOGC order which relates to a storage pond containing 113,000 m^3 of hydraulic fractured water (the "Frac Pond"). On September 27, 2018, the BCOGC asked the Receiver to implement plans to address concerns with the Frac Pond and provided a due date of October 12, 2018 for a response. On the due date, the Receiver advanced a proposal to address the Franc Pond issues in an economically feasible manner, given constraints associated with winter conditions. The BCOGC replied suggesting that the Receiver should truck the liquids out of the Frac Pond, however, the Receiver has determined that the cost to do so would be significant and constitutes an expense that the estate cannot afford. The Receiver is willing to continue working with the BCOGC to address this issue in a manner that addresses the needs of both parties in the interim period.

Operational Activities

41. At paragraph 54 of the Affidavit of Ryan Tobber sworn October 16, 2018 ("Tobber Affidavit"), Mr. Tobber states that the Receiver's operational decisions have exacerbated the security deposit requirements with the BCOGC. Mr. Tobber appears frustrated by the fact that the Receiver has decided it is not in the best interests of the estate to 'reactivate' the PNG Assets located in the Fort St. John ("FSJ") region of British Columbia.

42. As described below, reactivating the Fort St. John production would have a positive impact on the LMR; however even if such reactivation occurred, Ranch would still require a further cash deposit of $5.6 million in addition to the $15.7 million currently on deposit with the BCOGC. Without reactivating the Fort St. John production, the Receiver estimates the BCOGC could require a further $6.6 million supplement the existing security on deposit.

43. The Receiver notes that the FSJ properties were shut-in when the Receiver was appointed. The Receiver has left the FSJ production shut-in, as the costs to reactivate, pay monthly operating costs and transportation costs significantly exceeds any revenue anticipated to be generated from such production. The Receiver estimates the costs to reactivate the FSJ production to be approximately $420,000 and could take two to three weeks. These estimates in time and costs could increase with winter conditions.

44. Paragraph 57 of the Tobber Affidavit states the Receiver provided a production forecast projecting average daily production of 980 e3m3. Exhibit R of the Tobber Affidavit demonstrates average daily sales of 700 e3m3 and the Receiver has communicated with Predator BC at the weekly meetings that production levels have not been reached during the period as a result of overhaul work that is required over certain compressors. The Receiver is unaware of the source of Predator's statement related to average daily production of 980 e3m3.

45. Production has remained flat since the Receiver was appointed, and the Receiver has sanctioned additional maintenance and restart costs to certain of the compressors at the gas plant to allow further production to come online in an effort to reach the average daily sales of 700 e3m3.

46. The Receiver has continued to evaluate its ability to hedge Ranch's production with its marketing contact, however past experience has presented difficulty for corporations in receivership to find counterparties willing to enter into hedging agreements without cash deposits.

Financial Information

47. The cash flow projections appended to the Tobber Affidavit are seriously flawed and continue to demonstrate Mr. Tobber's inability to forecast correctly. For example, Mr. Tobber's cash flow forecasts show an abrupt rise in oil and gas receipts in December, 2018. This rise is likely due to Mr. Tobber's plans to reactive the shut-in FSJ PNG Assets. However, the cash flow forecasts fail to include any offsetting reactivation costs or an increase to the operating costs which will necessarily follow the reactivation of the FSJ PNG Assets. The Receiver has estimated that the reactivation costs alone would be in the range of $420,000 in addition to monthly operating costs of $300,000.

48. Further, at paragraph 70 of the Tobber Affidavit, Mr. Tobber indicates that Predator BC hopes to have funding in the amount of $400,000, should it be necessary, to deal with any issues that may arise with the assets. However, Mr. Tobber fails to recognize that the PNG Assets are operating at a loss of approximately $1 million per month as a result of unreasonable revenue

expectations. Even for modest revenue growth, the costs required to reactivate and add production is significant.

49. A revised copy of the cash flow forecast through the period of November 30, 2018 is attached as Appendix ‘C’ to this Fourth Report which demonstrates the required additional borrowing of $2 million, which include additional winterization costs and realistic revenue based on current gas pricing and production.

PREDATOR BC’S INABILITY TO OPERATE

50. The PNG Assets have consistently operated at a net loss each month as a result of downside volatility with production and gas prices, as well as uneconomic transportation agreements. To even consider Predator BC as a contract operator of the PNG Assets, Predator BC should be required to demonstrate that:

a) it has the financial wherewithal to satisfy the operational losses (calculated on average, at approximately $1 million per month);

b) it has the necessary insurance coverage to operate;

c) it possesses adequate and qualified staffing; and

d) it has past experience carrying out operations in compliance with the BCOGC.

51. The manner in which certain operations are carried out would require Predator BC to post additional security. For example, transportation arrangements are made 60 days in advance. Payment for such transportation is also made 60 days in advance. The Receiver has significant concerns about Predator BC’s ability to negotiate such transportation agreements and post the funds necessary to secure transportation.

52. The Tobber Affidavit also proposes hedging current strip pricing. The Receiver has significant concerns that Predator BC would be able to negotiate hedging contracts without posting cash deposits.

53. Without evidence from Predator BC that it can satisfy the factors listed above, the Receiver is not supportive of any arrangement where Predator BC would be allowed to contract operate the PNG Assets.

54. The Receiver believes that maintaining the status quo operationally provides the best possible outcome and least amount of disruption to the sales process (described below) and is therefore

in the best interest of stakeholders. The Receiver has been operating the PNG Assets in a responsible manner and in material compliance with BCOGC requirements.

55. Handing operations of the PNG Assets to an entity controlled by former management responsible for the disarray and non-compliances noted by the Receiver only has the potential to cause further losses and further deplete value from the estate.

IMPACT ON SISP

56. On October 2, 2018, Justice A.D. Macleod granted an order approving the sale and investment solicitation process (the "SISP") pursuant to which the PNG Assets are being marketed in a two-phased process. The phase 1 bid deadline for non-binding letters of intent is October 25, 2018 and the phase 2 bid deadline for binding offers is November 15, 2018. As noted in the Second Report, the Receiver has had a number of discussions with the BCOGC regarding its ability to transfer the permits to a successful purchaser in the SISP. The BCOGC has advised the Receiver that it maintains the regulatory authority to transfer such permits to a qualified buyer in the SISP.

57. At the SISP approval application, Predator BC did not oppose the relief sought but expressed concerns regarding the tight timelines set out in the SISP. The Receiver acknowledged that timelines were somewhat condensed but the reason for the timelines was due to funding requirements and the significant losses being incurred by the Ranch estate month over month.

58. The SISP contains a clause which allows the Receiver to modify the SISP and the deadlines set out in the SISP if in the Receiver's reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP. In the event the Receiver deems it appropriate to extend the SISP deadlines, it will do so pursuant to the terms of the SISP.

59. October 25, 2018 is the Phase 1 bid deadline for non-binding letter of interest under the SISP. The Receiver is concerned that Predator BC's real agenda with the Predator BC Application is to derail the SISP. Without oversight into the operations, the Receiver will have no ability to confirm that operations undertaken by Predator BC are directed at preserving the assets for the benefit of an ultimate purchaser in the SISP. Further, the Receiver is concerned that the market will not react well to the transfer of operations of the PNG Assets back to former management who has no real economic interest in the assets.

60. The Receiver has significant concerns that any change or disruption to operations at a critical juncture in the SISP could have a chilling effect on the SISP.

61. A failed SISP will have detrimental consequences to the BCOGC, TEC, as well as Predator BC and any other unsecured creditors and stakeholders of Ranch.

RECOMMENDATION

62. The Receiver respectfully requests that the Honourable Court dismiss the relief sought in the Predator BC Application and direct Predator BC to pay the wasted solicitor and own client costs of the Receiver in having to prepare the Third Report and Fourth Report and to appear at the hearings scheduled regarding this matter.

Dated at Calgary, this 24th day of October, 2018.

ERNST & YOUNG INC.
in its capacity as the
Receiver of the Corporations

Neil Narfason, CPA, CA, CIRP, LIT, CBV
Senior Vice-President

Duncan MacRae, CPA, CA, CIRP, LIT
Manager

APPENDIX ‘A’

ASSET PURCHASE AND SALE AGREEMENT

BETWEEN

PREDATOR OIL BC LTD.

("Vendor")

AND

RANCH ENERGY CORPORATION

("Purchaser")

May 8, 2017

TABLE OF CONTENTS

ASSET PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of the 8th day of May, 2017,

BETWEEN:

> **PREDATOR OIL BC LTD.,** a company formed as a result of an amalgamation pursuant to the laws of the Province of British Columbia (hereinafter referred to as "**Vendor**")
>
> \- and -
>
> **RANCH ENERGY CORPORATION**, a corporation incorporated pursuant to the laws of the Province of Alberta (hereinafter referred to as "**Purchaser**")

WHEREAS Vendor wishes to sell the Assets to Purchaser and Purchaser wishes to purchase the Assets from Vendor, subject to and in accordance with the terms and conditions hereof.

IN CONSIDERATION of the premises and the mutual covenants and agreements hereinafter set forth, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Definitions**

In this Agreement, including the recitals and the Schedules, the following terms have the following meanings:

(a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations under the Title and Operating Documents, Applicable Law and applicable equity or common law to:

(i) abandon the Wells;

(ii) restore, remediate and reclaim the surface or subsurface locations of the lands in the White Map Area, including those lands in or on which the Wells are or were located and lands which are or were used to gain access to the Wells or Tangibles including any lands to which the Surface Rights relate; and

(iii) decommission and remove all structures, foundations, buildings, pipelines equipment and other facilities located in the White Map Area and the surface sites thereof,

including such obligations relating to such wells, pipelines and facilities that were abandoned, removed or decommissioned prior to the Effective Time, all in accordance with generally accepted oil and gas industry practices and in compliance with Applicable Law.

(b) "**AFE**" means an authority for expenditure, mail ballot, cash call or any other similar approval issued pursuant to the Title and Operating Documents with respect to the Assets.

(c) "**Affiliate**" means, with respect to a Person, any other Person controlling, controlled by or under common control with such Person where "**control**", "**controlling**" or "**controlled**" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of another Person, whether through the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means, either directly or indirectly, that results in control in fact, provided that direct or indirect ownership of shares of a corporation carrying not less than fifty percent (50%) of the voting rights shall constitute control of such corporation.

(d) "**Agreement**" means this Asset Purchase and Sale Agreement, including the recitals hereto and all Schedules hereto.

(e) "**Applicable Law**" means all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, having jurisdiction over the Assets or the Parties.

(f) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests but excluding the Retained Assets.

(g) "**Business Day**" means a day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta.

(h) "**Claim**" means any claim, demand, action, lawsuit, proceeding, arbitration or governmental proceeding or investigation.

(i) "**Closing**" means the transfer of the Assets to Purchaser, the payment by Purchaser of the amount specified in Section 2.4 and the delivery of all items required to be delivered pursuant hereto.

(j) "**Closing Date**" means the 12th day of May, 2017, or such other date as may be agreed upon in writing by Vendor and Purchaser; provided however, that if Closing has not occurred by the Outside Date, this Agreement shall terminate unless extended in writing by agreement of the Parties.

(k) "**Closing Place**" means the offices of Vendor's counsel in Calgary, Alberta or such other place as may be agreed upon in writing by the Parties.

(l) "**Confidentiality Agreement**" means the Confidentiality Agreement dated March 21, 2017 between Vendor and Purchaser, attached hereto as Schedule "M".

(m) "**Customary Post Closing Consents**" means consents and approvals from any Governmental Authorities or Third Parties that are customarily obtained after closing in connection with transactions similar to the transaction contemplated by this Agreement including consents and approvals for the transfer of Permits and consents of Third Parties that cannot be unreasonably withheld.

(n) "**Default**" means a Purchaser Default or a Vendor Default.

(o) "**Deposit**" has the meaning given to such term in Section 2.3.

(p) "**Dollar**" or "**$**" means, unless otherwise provided herein, a dollar in the lawful money of Canada.

(q) "**Effective Time**" means 8:00 a.m., Calgary time, on April 1, 2017.

(r) "**Encumbrance**" means a Security Interest, royalty, net profits interest, carried working interest or other adverse claim.

(s) "**Encumbrance Discharge**" means, with respect to an Encumbrance, affecting all or any portion of the Assets, one or more registrable discharges executed by the holder of such Encumbrance, or a letter of no interest executed by such holder acknowledging that it has no further interest or adverse claim in such Assets.

(t) "**Environment**" means the ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms including human beings, and the interacting natural system that includes such components; and "**Environmental**" means relating to or in respect of the Environment.

(u) "**Environmental Liabilities**" means all past, present and future Liabilities and Claims in respect of the Environment pertaining to or caused by the Assets or related to Vendor's interest in any lands or liabilities in the White Map Area, whether or not resulting from operations conducted with respect to the Assets or which arise in connection with the ownership thereof or operations pertaining therefrom, including, Liabilities associated with:

(i) use, holding, generation, treatment, stabilization, storage, disposal, handling or transportation of Hazardous Substances, Petroleum Substances, oilfield wastes or produced water;

(ii) obligations for compliance with Applicable Law, as of the Effective Time and in the future,

(iii) Abandonment and Reclamation Obligations;

(iv) Releases of Hazardous Substances, Petroleum Substances, oilfield wastes, produced water or other substances;

(v) obligations for the removal, assessment, monitoring, sampling, response, abatement, clean-up, investigation and reporting of contamination or pollution of or other adverse effects on the Environment, including compensation of Third Parties for Losses suffered by them in respect thereof; or

(vi) obligations for the protection, reclamation, remediation or restoration of the Environment.

(v) "**Escrow Agreement**" means the escrow agreement for the handling of Assets for which unexpired Rights of First Refusal remain at Closing, a form of which is attached hereto as Schedule "L".

(w) "**Facilities**" means the specified interest of Vendor in the facilities described in Schedule "B".

(x) "**Final Statement of Adjustments**" has the meaning given to such term in Section 3.2(b).

(y) "**General Conveyance**" means the form of general conveyance attached hereto as Schedule "C".

(z) "**Governmental Authority**" means a federal, provincial, territorial, municipal or other government or government department, agency, board or other authority (including a court of law) having jurisdiction over the Parties or the Assets.

(aa) "**GST**" means the goods and services tax payable pursuant to the GST Legislation.

(bb) "**GST Legislation**" means the *Excise Tax Act*, 1985 R.S.C., c. E-15, as amended.

(cc) "**Hazardous Substances**" means hazardous, deleterious, or toxic substances; oilfield wastes; radioactive material; asbestos; polychlorinated biphenyls; pollutants; contaminants; dangerous goods; and unrefined and refined petroleum products; including all substances, materials and wastes regulated under Applicable Law relating to Environmental or health and safety matters.

(dd) "**Income Tax Act**" means the *Income Tax Act* (Canada), as amended.

(ee) "**Lands**" means the lands located within the White Map Area, including the lands, formations and associated Petroleum Substances which are set out in Schedule "A", but only to the extent that rights relating thereto are granted under the Leases and to the extent they are subject to the Unit Operating Agreements.

(ff) "**Leases**" means, collectively, the petroleum and natural gas leases, licences, permits, reservations and other agreements within, under or upon the lands from which the Petroleum and Natural Gas Rights are derived, comprising of those petroleum and natural gas leases, licences, permits and other agreements described in Schedule "A", by virtue of which Vendor is entitled to explore for, recover, remove or dispose of Petroleum Substances within, upon or under the Lands or lands with which the Lands are pooled or unitized and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefor.

(gg) "**Liabilities**" means any and all liabilities and obligations, whether under common law, in equity, under Applicable Law or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise.

(hh) "**License Transfers**" means transfers of the Permits related to the Assets that are in the name of Vendor.

(ii) "**Losses**" means, in respect of a Party and in relation to a matter, any and all losses, damages, costs, expenses, charges (including all penalties, assessments and fines) which such Party suffers, sustains, pays or incurs in connection with such matter and includes reasonable costs of legal counsel (on a solicitor and client basis) and other professional advisors and consultants and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained.

(jj) "**Miscellaneous Interests**" means Vendor's entire right, title, interest and estate in and to all property, assets and rights (other than the Petroleum and Natural Gas Rights and the Tangibles) to the extent they pertain directly to the Petroleum and Natural Gas Rights, the Lands or the lands pooled or unitized therewith, or the Tangibles, including:

(i) all contracts, agreements, books, records, and documents relating directly to the Petroleum and Natural Gas Rights and the Tangibles, including the Title and Operating Documents;

(ii) all Surface Rights;

(iii) the Unit Interest;

(iv) the Wells including, the well bores and casing thereof;

(v) copies of all non-interpretative production and engineering information prepared for the joint account of the relevant interest owners and relating directly to the Petroleum and Natural Gas Rights;

(vi) all subsisting rights to carry out any operations relating to the Petroleum and Natural Gas Rights or Tangibles and all well licences for the Wells; and

(vii) the Sale, Processing and Transportation Agreements.

Unless otherwise agreed in writing by the Parties, however, the Miscellaneous Interests shall not include agreements, documents or data to the extent that they pertain to Vendor's proprietary technology, geophysical data, seismic data, interpretations or economic evaluations.

(kk) "**Offer**" has the meaning given to that term in Section 12.1.

(ll) "**Outside Date**" means 5:00 p.m., Calgary time, on May 1 , 2018.

(mm) "**Party**" means Vendor or Purchaser; and "**Parties**" means Vendor and Purchaser, collectively.

(nn) "**Permits**" means permits, licenses, approvals and authorizations issued or granted by Governmental Authorities pertaining to the ownership or operations of the Assets.

(oo) "**Permitted Encumbrances**" means;

(i) the Encumbrances and penalties, reductions, conversions and alterations in interest described in Schedule "A";

(ii) liens for taxes, assessments and governmental charges which are not due or delinquent at the Effective Time, or the validity of which is being contested in good faith by Vendor;

(iii) mechanics', builders', materialmen's or similar liens for services rendered or goods supplied for which payment is not due or delinquent at the Effective Time, or the validity of which is being contested in good faith by Vendor;

(iv) easements, rights of way, servitudes and other similar rights in land, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables;

(v) Rights of First Refusal, as provided for in the Title and Operating Documents and as described in Schedule "G";

(vi) the right reserved to or vested in any Governmental Authority by the terms of any lease, license, franchise, grant or permit or by any Applicable Law, to terminate any such lease, license, franchise, grant or permit or to require payment of rent or other periodic payments as a condition of the continuance thereof;

(vii) liens or security granted in the ordinary course of business to a public utility or Governmental Authority in connection with operations pertaining to the Assets;

(viii) the terms of the Leases and Title and Operating Documents, provided that all Encumbrances and reductions, conversions and alterations of interests are described in Schedule "A";

(ix) the express or implied reservations or exceptions in any grants or transfers of mineral rights from the Crown;

(x) rights of general application reserved to or vested in any Governmental Authority to levy taxes on any of the Petroleum Substances produced from the Lands or lands pooled or unitized therewith or the income or revenue attributable thereto or in respect of operations thereon or the income therefrom, or to limit, control or regulate any of the Assets, or operations pertaining thereto, in any manner;

(xi) the Sale, Processing and Transportation Agreements and agreements respecting the operation of wells by contract field operators which are either terminable on not greater than thirty-one (31) days' notice (without an early termination penalty or other cost) or otherwise identified in Schedule "F";

(xii) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations, provided that any such penalties or forfeitures which apply to the Assets shall be identified in Schedule "A";

(xiii) any Security Interest held by a Person encumbering the Assets or any part or portion thereof, in respect of which Vendor delivers an Encumbrance Discharge (specifically, a letter of no interest) to Purchaser at or prior to Closing in a form satisfactory to Purchaser, acting reasonably; and

(xiv) provisions for penalties and forfeitures under operating procedures or similar agreements which will arise if Vendor elects, after the relevant time, not to participate in operations on the Lands to which the penalty or forfeiture will apply, provided that no event has occurred which results in such penalty or forfeiture except as disclosed on Schedule "A".

(pp) "**Person**" means any individual or entity, including any partnership, body corporate, trust, unincorporated organization, union, Governmental Authority and any heir, executor, administrator or other legal representative of an individual.

(qq) "**Personal Information**" has the meaning given to that term in Section 12.1.

(rr) "**Petroleum and Natural Gas Rights**" means Vendor's entire right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to any lands, leases or title documents in the White Map Area, including the Leases, the Lands, and the Title and Operating Documents, including working interests, royalty interests or any other interest of Vendor in respect of the Leases, the Lands and the Title and Operating Documents and those interests set forth in Schedule "A" and Schedule "A-1", but in all cases excluding the Retained Assets.

(ss) "**Petroleum Substances**" means petroleum, natural gas and related hydrocarbons including all liquid hydrocarbons and all other substances whether liquid, solid or gaseous, whether hydrocarbon or not (excepting coal but including sulphur), capable of being produced in association with petroleum, natural gas and related hydrocarbons the right to explore for which, or an interest in which, is granted under the Title and Operating Documents.

(tt) "**Prime Rate**" means the rate of interest expressed as a rate per annum which the National Bank of Canada announces publicly from time to time as the reference rate used by it for determining the rates of interest on Canadian Dollar commercial loans made by it in Canada and which it refers to as its "prime rate".

(uu) "**Purchase Price**" means five million Dollars ($5,000,000), subject to the adjustments provided for in this Agreement.

(vv) "**Purchaser Default**" means a breach of a representation or warranty made by Purchaser in Section 4.3 or a breach by Purchaser of an obligation, agreement or covenant in this Agreement.

(ww) "**Related Party**" means, in reference to a Party: (i) its Affiliates, successors and assigns; (ii) its directors, officers and employees; (iii) its Affiliates' directors, officers and employees; and (iv) its Representatives.

(xx) "**Release**" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of any Hazardous Substance, Petroleum Substances, oilfield wastes, produced water or other substances into or through the Environment.

(yy) "**Representatives**" means, in reference to a Party, its and its Affiliates' representatives, agents, legal counsel, consultants and advisors.

(zz) "**Retained Assets**" means the Retained Petroleum and Natural Gas Rights, the Retained Tangibles and the Retained Miscellaneous Interests.

(aaa) "**Retained Facilities**" means the specified interest of Vendor in the facilities described in Schedule "J".

(bbb) "**Retained Lands**" means the lands, formations and associated Petroleum Substances which are set out in Schedule "J";

(ccc) "**Retained Leases**" means, collectively, the petroleum and natural gas leases, licences, permits, reservations and other agreements within, under or upon the lands from which the Retained Petroleum and Natural Gas Rights are derived, comprising of those petroleum and natural gas leases, licences, permits and other agreements described in Schedule "J", by virtue of which Vendor is entitled to explore for, recover, remove or dispose of Petroleum Substances within, upon or under the Retained Lands or lands with which the Retained Lands are pooled or unitized and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefor.

(ddd) "**Retained Miscellaneous Interests**" means Vendor's entire right, title, interest and estate in and to all property, assets and rights (other than the Retained Petroleum and Natural Gas Rights and the Retained Tangibles) to the extent they pertain directly to the Retained Petroleum and Natural Gas Rights, the Retained Lands or the lands pooled or unitized therewith, or the Retained Tangibles, including:

(i) all contracts, agreements, books, records, and documents relating directly to the Retained Petroleum and Natural Gas Rights and the Retained Tangibles;

(ii) all Retained Surface Rights;

(iii) the Retained Wells including, the well bores and casing thereof;

(iv) copies of all non-interpretative production and engineering information prepared for the joint account of the relevant interest owners and relating directly to the Retained Petroleum and Natural Gas Rights; and

(v) all subsisting rights to carry out any operations relating to the Retained Petroleum and Natural Gas Rights or Retained Tangibles and all well licences for the Retained Wells;

(eee) "**Retained Petroleum and Natural Gas Rights**" means Vendor's entire right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, in the Retained Leases and the Retained Lands, including working interests, royalty interests or any other interest of Vendor in respect of the Retained Leases and the Retained Lands.

(fff) "**Retained Surface Rights**" means all rights of Vendor to enter upon, use, occupy and enjoy the surface of any lands for purposes related to the use, ownership or operation of the Retained Petroleum and Natural Gas Rights, the Retained Tangibles or the Retained Wells, or in order to gain access thereto, whether the same are held by lease, right-of-way or otherwise.

(ggg) "**Retained Tangibles**" means the Retained Facilities and Vendor's entire interest in all other tangible depreciable property which is used or intended to be used solely in connection with production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Retained Petroleum and Natural Gas Rights and situated within or upon the Retained Lands or lands with which they have been pooled or unitized, including, without limitation, the down-hole and other tangible equipment, if any, relating to the Retained Wells.

(hhh) "**Retained Wells**" means all producing, shut-in, suspended, plugged, abandoned, capped, injection and disposal wells, located on the Retained Lands, in which Vendor has or had an interest, including wells for which reclamation or similar certificates have been issued, all of which are set forth in Schedule "J".

(iii) "**Right of First Refusal**" or "**ROFR**" means a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase a portion of the Assets as a consequence of Vendor having agreed to sell the Assets to Purchaser.

(jjj) "**ROFR Allocation**" has the meaning given to that term in Section 9.1.

(kkk) "**ROFR Assets**" has the meaning given to that term in Section 9.1.

(lll) "**ROFR Holders**" has the meaning given to that term in Section 9.1.

(mmm) "**ROFR Notices**" has the meaning given to that term in Section 9.1.

(nnn) "**Sale, Processing and Transportation Agreements**" means the agreements for the sale of Petroleum Substances produced from the Lands or lands pooled or unitized therewith and agreements providing for the gathering, transportation, compression, processing, treatment or storage of Petroleum Substances produced from the Lands or lands pooled or unitized therewith, all of which are set out in Schedule "F".

(ooo) "**Scheduled Assets**" means (i) the Petroleum and Natural Gas Rights described in Schedule "A" and (ii) the Tangibles and Miscellaneous Interests related to such Petroleum and Natural Gas Rights, but excluding the Retained Assets.

(ppp) "**Schedules**" means the schedules attached to this Agreement in Section 1.6.

(qqq) "**Security Interest**" means any mortgage, charge, pledge, lien, hypothec, assignment by way of security, or other security interest whatsoever or howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not, which encumbers the title or Vendor or any predecessor in title in and to the Assets or any part or portion thereof or the proceeds to be received as a result of this Agreement.

(rrr) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer legal or registered title to the Assets to Purchaser and to novate Purchaser in the Title and Operating Documents in Vendor's place and stead.

(sss) "**Surface Rights**" means all rights of Vendor to enter upon, use, occupy and enjoy the surface of any lands for purposes related to the use, ownership or operation of the Petroleum and Natural Gas Rights, the Tangibles or the Wells, or in order to gain access thereto, whether the same are held by lease, right-of-way or otherwise.

(ttt) "**Survival Period**" means for all representations and warranties, a period ending twelve (12) months following the Closing Date.

(uuu) "**Tangibles**" means the Facilities and Vendor's entire interest in all other tangible depreciable property which is used or intended to be used solely in connection with production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Petroleum and Natural Gas Rights and situated within or upon the Lands or lands with which they have been pooled or unitized, including, without limitation, the down-hole and other tangible equipment, if any, relating to the Wells.

(vvv) **"Third Party"** means any Person other than Vendor, Purchaser and their Affiliates.

(www) **"Title and Operating Documents"** means any and all agreements, instruments and other documents that govern the ownership, operation or development of the Assets including:

(i) any contract or agreement pursuant to which Vendor derives any interest in the Assets, including without limitation, the Leases, the Permits, the Sale, Processing and Transportation Agreements, agreements of purchase and sale, farm-in agreements, pooling agreements, Unit Agreements and royalty agreements;

(ii) any contract or agreement entered into in the normal course of the oil and gas business in respect of the exploitation of Petroleum and Natural Gas Rights or the operation of Tangibles, including, without limitation, joint operating agreements, farmout agreements, pooling agreements, Unit Agreements, Unit Operating Agreements, royalty agreements, common stream agreements, production sales agreements or other arrangements whereby Vendor is obligated to sell, transport or deliver to any Person, any Petroleum Substances allocable to the Petroleum and Natural Gas Rights, gas processing agreements, gas gathering agreements, agreements relating to Surface Rights and agreements for the construction, ownership or operation of Tangibles;

(iii) agreements that create or relate to Surface Rights; and

(iv) trust declarations and other documents and instruments that evidence Vendor's interest in the Assets.

(xxx) **"Transaction"** means the purchase and sale of the Assets and all other transactions contemplated by this Agreement.

(yyy) **"Transferring Contractors"** means those independent contractors who provide services to Vendor in relation to the Assets.

(zzz) **"Transferring Employees"** means those individuals whose employment with Vendor is directly and principally related to the Assets.

(aaaa) "**Transferring Person**" and "**Transferring Personnel**" has the meaning given to that term in Section 12.1.

(bbbb) **"Transition Services Agreement"** means the transition services agreement to be entered into by Vendor and Purchaser in the form attached hereto as Schedule "P".

(cccc) **"Trust Agreement"** means the trust agreement to be entered into by Vendor and Purchaser in the form attached hereto as Schedule "N".

(dddd) **"Unexpired ROFRs"** has the meaning given to that term in Section 9.3(c).

(eeee) **"Unit"** means the scheme or schemes of unitization for the production of Petroleum Substances to which the Petroleum and Natural Gas Rights are subject, as described in Schedule "O".

(ffff) "**Unit Agreement**" means the agreement or agreements pursuant to which the Unit was formed.

(gggg) **"Unit Interest"** means Vendor's entire right, title, interest and estate in and to the applicable Unit to which such right, title, interest and estate applies, including Vendor's interests, which are attributable to the Petroleum and Natural Gas Rights.

(hhhh) **"Unit Operating Agreements"** means the plan of unit operations forming part of the Lands.

(iiii) "**Vendor Default**" means a breach of a representation or warranty made by Vendor in Section 4.1, or a breach by Vendor of an obligation, agreement or covenant in this Agreement.

(jjjj) "**Wells**" means all producing, shut-in, suspended, plugged, abandoned, capped, injection and disposal wells, located on the Lands, in which Vendor has or had an interest, including wells for which reclamation or similar certificates have been issued, all of which are set forth in Schedule "B".

(kkkk) "**White Map Area**" means the area outlined in Schedule "A-1", but specifically excluding the Retained Assets.

1.2 **Interpretation**

Unless otherwise stated or the context otherwise necessarily requires, in this Agreement:

(a) references herein to any agreement or instrument, including this Agreement, shall be a reference to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time;

(b) the terms "in writing" or "written" include printing, typewriting or facsimile transmission;

(c) references to a statute shall be a reference to (i) such enactment as amended or reenacted from time to time and every statute that may be substituted therefor; and (ii) the regulations, bylaws or other subsidiary legislation made pursuant to such statute;

(d) words importing the singular number only shall include the plural and vice versa, and words importing the use of any gender shall include all genders;

(e) a reference to time shall, unless otherwise specified, refer to Mountain Standard Time or Mountain Daylight Savings Time during the respective intervals in which each is in force in Alberta;

(f) "including", "includes" and like terms means "including without limitation" and "includes without limitation";

(g) the headings of Articles and Sections in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

(h) the terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement in its entirety and include any agreement supplemental hereto; and

(i) unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement and references herein to Schedules are references to Schedules to this Agreement.

1.3 **Interpretation If Closing Does Not Occur**

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

1.4 **Conflicts**

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule or a conveyance document, the provision of the body of this Agreement shall prevail.

1.5 Time Periods

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.6 Schedules

The following Schedules are incorporated herein by reference and made a part of this Agreement:

Schedule "A"	-	Assets and Encumbrances
Schedule "A-1"	-	White Map Area
Schedule "B"	-	Wells and Facilities
Schedule "C"	-	Form of General Conveyance
Schedule "D"	-	Claims and Non-Compliance Matters
Schedule "E"	-	Form of Officer's Certificate
Schedule "F"	-	Sale, Processing and Transportation Agreements
Schedule "G"	-	Rights of First Refusal
Schedule "H"	-	Financial Commitments
Schedule "I"	-	AFEs
Schedule "J"	-	Retained Assets
Schedule "K"	-	Carried Interests
Schedule "L"	-	Escrow Agreement
Schedule "M"	-	Confidentiality Agreement
Schedule "N"	-	Trust Agreement
Schedule "O"	-	Unit Agreements
Schedule "P"	-	Transition Services Agreement
Schedule "Q"	-	[Intentionally Deleted]
Schedule "R"	-	[Intentionally Deleted]
Schedule "S"	-	Transferring Personnel

1.7 Vendor's Knowledge

For all purposes of this Agreement, where a representation and warranty is made by Vendor on the basis of the knowledge of Vendor, such knowledge of Vendor consists of the actual knowledge of the current senior management or officers of Vendor whose responsibilities relate to the day-to-day administration of Vendor's interests in the Assets. Except as specifically set forth herein, Vendor shall not be required to make any inquiry for any representation or warranty to this knowledge.

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale

Upon the terms and subject to the conditions of this Agreement, at Closing, Vendor agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser agrees to purchase from Vendor, all of Vendor's right, title, interest and estate in and to the Assets for the Purchase Price.

2.2 **Allocation of Purchase Price**

The Purchase Price shall be allocated as follows:

To Petroleum and Natural Gas Rights:	$4,000,000.00
To Tangibles:	$999,990.00
To Miscellaneous Interests:	$10.00
TOTAL	**$5,000,000.00**

2.3 **Deposit**

Purchaser deposited $50,000 with Vendor on April 17, 2017 as an earnest money deposit (the "**Deposit**"). If the Closing Date is extended at the request of Purchaser and with the agreement of Vendor, the Deposit shall be increased by the sum of $200,000 to $250,000, and Purchaser shall deposit with Vendor, on the date such agreement extending the Closing Date is executed by the Parties, the sum of $200,000, such that the Deposit is increased to an aggregate deposit of $250,000. In the event of such increase in the Deposit, the increased Deposit shall be thereafter referred to as the "**Deposit**".

The following provisions shall apply in respect of the Deposit:

(a) if Closing occurs, the Deposit shall be credited against the Purchase Price;

(b) if Closing does not occur due to a Purchaser Default, the Deposit shall be forfeited to Vendor as the sole remedy of Vendor in respect of the Purchaser Default and the non-occurrence of the Closing, and Vendor shall not have any other rights against Purchaser in respect thereof, and, for clarity, such Deposit shall be in the amount of $250,000; and

(c) if Closing does not occur for any reason other than a Purchaser Default, the Deposit plus deemed interest at the Prime Rate plus two percent (2%) shall be paid to Purchaser.

2.4 **Payment of Purchase Price**

At the Closing, Purchaser shall pay to Vendor, an amount equal to the Purchase Price,

(a) less the Deposit; and

(b) plus or minus, as the case may be, the amount of the adjustments to be made at Closing pursuant to Article 3.

2.5 **Taxes**

(a) The Purchase Price does not include GST. At Closing, Purchaser shall pay to Vendor, an amount equal to the statutory rate of GST of the portion of the Purchase Price allocated to Tangibles pursuant to Section 2.2 on account of the GST payable by Purchaser in respect of its purchase of the Assets pursuant hereto. Vendor shall remit such amount to the appropriate taxation authorities in accordance with the GST Legislation. Purchaser shall be responsible for the payment of any additional GST payable in accordance with GST Legislation in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST. Each Party represents that it is registered for GST purposes.

(b) Purchaser shall also be solely liable for any and all sales, value added, land transfer and similar taxes imposed by Applicable Law or by applicable Governmental Authorities in respect of the purchase of the Assets pursuant hereto. If Vendor, as agent for the Crown, is required under Applicable Law to collect such taxes, Purchaser shall pay the aggregate amount of such taxes to

Vendor, at Closing. Vendor shall remit such amount to the appropriate authorities in accordance with Applicable Law.

(c) After Closing, Purchaser shall be responsible for, and shall indemnify and save Vendor harmless in respect of any, additional amounts of GST, and any sales, value added, land transfer and similar taxes imposed by Applicable Law or by applicable Governmental Authorities (including interest and penalties) in respect of the purchase and sale of the Assets pursuant hereto which are in excess of the amounts collected by Vendor from Purchaser at Closing.

2.6 **Manner of Payment**

(a) Unless the Parties agree otherwise, all payments to be made pursuant to this Agreement shall be made by wire transfer in immediately available funds. A payment made by wire transfer shall be deemed to have been received by the Party entitled to receive such payment only upon such Party receiving a confirmation from its bank that such payment has been made.

(b) The Parties shall provide each other with wire transfer instructions at least two (2) Business Days before the Closing Date.

2.7 **Governmental Security Deposits**

If, prior to or after the Closing Date, a Governmental Authority requires from a Party, as a pre-requisite to or a condition of the transfer of any Permit pertaining to the Assets, a security deposit or any kind of monetary payment, such amount shall be paid by such Party as and when due.

ARTICLE 3
ADJUSTMENTS

3.1 **Costs and Revenues to be Apportioned**

Except as otherwise provided in this Agreement, all costs and expenses (including, maintenance, development, capital and operating costs) and all revenues (including proceeds from the sale of production and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties), in each case, of any kind or nature accruing, payable, paid, received or receivable with respect to the Assets shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis for the interim statement of adjustments and on an actual basis for the final statement of adjustments prepared, in each case, in accordance with generally accepted accounting principles by Vendor, provided that:

(a) costs and expenses of work performed or goods or services provided in respect of the Assets shall be deemed to have accrued as of the date the work was performed or the goods (other than inventory) or services are provided, regardless of when such costs and expenses become payable;

(b) where Vendor is the operator of any particular Asset, Vendor will be entitled to all overhead recoveries and operator's fees paid by Third Parties for the period up to the Closing Date;

(c) revenues from the sale of Petroleum Substances will be adjusted on the basis of the date the Petroleum Substances are produced;

(d) all rentals and similar payments, property taxes (including freehold mineral taxes) and other periodic costs (other than capital taxes and income taxes) that relate to the Assets or operations in respect thereof shall be apportioned between Vendor and Purchaser on a per diem basis as of the Effective Time, whether paid during or relating to a period before or after the Effective Time;

(e) Petroleum Substances which were produced from the Lands or lands pooled or unitized therewith but not sold as of the Effective Time shall be credited to Vendor net of treating, processing and transportation costs incurred in respect thereof after the Effective Time and net of applicable royalties or any other encumbrances thereon. Petroleum Substances will be deemed to be sold on a first in, first out basis; and

(f) no adjustment shall be made in respect of royalty tax credits, holidays, reductions, rebates, incentives, drilling credits or similar incentives and arrangements, insurance costs, or general administrative or overhead costs recovered by Vendor in its capacity of operator.

3.2 **Adjustments to Account**

(a) An interim accounting of the adjustments pursuant to Section 3.1 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses accrued prior to Closing and the revenues received by Vendor prior to Closing. No later than five (5) Business Days prior to Closing, Vendor shall prepare and deliver to Purchaser for its review an interim accounting and adjustment (including all required backup information confirming such adjustments), being the interim statement of adjustments, to be prepared pursuant to Section 3.1. The Parties shall cooperate in settling the adjustments and payment to be made on an interim basis and the amount so agreed shall be employed for the purpose of Closing.

(b) Within one hundred eighty (180) days following the Closing Date, Vendor shall prepare and forward to Purchaser a final accounting and adjustment ("**Final Statement of Adjustments**"). Purchaser shall have thirty (30) days from receipt of the Final Statement Adjustments to review same. The parties shall cooperate in good faith to finalize the Final Statement of Adjustments. Subject to subsections 3.2(c) and 3.2(d), settlement of accounts shall be considered concluded when the Parties have signed their approval on the Final Statement of Adjustments. Amounts payable under the Final Statement of Adjustments shall be settled by payment to or by Vendor and Purchaser, as the case may be, within thirty (30) days of the Parties' signing the Final Statement of Adjustments. The intention of the Parties is that the final settlement shall occur within one hundred eighty (180) days following the Closing Date. The Parties recognize that adjustments may be made after that time where it is impossible to do so within the one hundred eighty (180) day timeframe, but no adjustments shall be made beyond one (1) year after the Closing Date.

(c) During the one (1) year period following Purchaser's receipt of the Final Statement of Adjustments, Purchaser may audit the books, records and accounts of Vendor respecting the Assets, for the purpose of effecting adjustments pursuant to this Article. Such audit shall be conducted upon reasonable notice to Vendor at Vendor's offices during Vendor's normal business hours, and shall be conducted at the sole expense of Purchaser. Any claims of discrepancies disclosed by such audit shall be made in writing to Vendor within thirty (30) days following the completion of such audit and Vendor shall respond in writing to any claims of discrepancies within thirty (30) days from receipt of such claims.

Notwithstanding subsection 3.2(b), the Parties shall be required to make further adjustments pursuant to this Article 3 if the adjustment arises from the provisions of the Title and Operating Documents or agreements with respect to Crown royalty audits, joint venture audits or thirteenth-month adjustments which are outstanding at, or occur after, the Closing Date, and shall be made as they occur in accordance with the provisions of existing Applicable Law or the terms of the Title and Operating Documents and shall be received or paid by the Party thereto entitled or thereby obliged.

(d) All adjustments provided for in this Article shall be adjustments to the Purchase Price and, for the purposes of Section 2.2, shall be allocated to the Petroleum and Natural Gas Rights. An adjustment payable by a Party after Closing pursuant to this Section 3.2 which is not paid within thirty (30) days of a written request for payment from the other Party, shall bear interest at the Prime Rate plus two percent (2%) per annum payable by the paying Party to the other Party from the end of such thirty (30) day period until the adjustment is paid.

(e) GST shall be payable and applied to adjustments where required by any Applicable Law and shall be paid by the appropriate Party.

3.3 **Arbitration of Disputes**

Either Party may, at any time, refer to arbitration a dispute between the Parties respecting the requirement for or the amount of an adjustment pursuant to the provisions of this Article 3.

3.4 **Deposits, Cash Calls and Operating Funds**

The Assets do not include deposits made by Vendor which relate to the Assets or cash call advances or operating fund payments, including similar advances made by Vendor in connection with the Assets. Such amounts shall, at the option of Vendor, either be returned to Vendor and (if required) replaced by Purchaser or be transferred by Vendor to Purchaser, in which event Purchaser shall reimburse the amount thereof to Vendor.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 **Representations and Warranties of Vendor**

Vendor represents and warrants to Purchaser, as of the date of this Agreement and as of the Closing Date, that:

Regarding Vendor

(a) Organization and Status: Vendor is a company formed by amalgamation, organized and existing under the laws of British Columbia and has the requisite power and authority to enter into this Agreement and all other documents, instruments and agreements contemplated by this Agreement and to consummate the transactions contemplated thereby. Vendor is duly qualified to carry on business in the jurisdiction(s) where the Assets are located;

(b) Authorization, Execution and Enforceability: The execution, delivery and performance of this Agreement and the completion of the transactions contemplated hereby have been duly and validly authorized by any and all requisite actions of Vendor. This Agreement does, and any and all other agreements executed and delivered by Vendor in connection herewith will, constitute valid and binding obligations of Vendor, enforceable against Vendor in accordance with their terms, subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity;

(c) No Conflict: The execution and delivery of this Agreement are not, and (provided that all required regulatory approvals are obtained and except for consents and approvals that will be delivered by Vendor at Closing and Customary Post Closing Consents) the completion of the transactions contemplated hereby in accordance with the terms of this Agreement will not be, in violation or breach of or in conflict with or require any consent, authorization or approval under:

(i) any term or provision of the constating and governing documents of Vendor;

(ii) any agreement, instrument, license, permit or other governmental authorization to which Vendor is a party or by which Vendor is bound;

(iii) any Claim, judgment, decree, order, statute, regulation, rule, or license applicable to Vendor; or

(iv) any Applicable Law;

(d) No Finder's Fee: Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the transaction contemplated hereby for which Purchaser shall have any obligation or liability;

(e) Residency: Vendor is not a "non-resident" of Canada for the purposes of the Income Tax Act;

(f) GST Registrant: Vendor is a registrant for the purposes of the *Excise Tax Act* (Canada). The GST registration number of Vendor is 73833 7724 RT0001;

Regarding the Assets

(g) Title to Assets: Vendor does not warrant title to the Assets but does warrant that, other than Permitted Encumbrances:

(i) Vendor's interests in the Assets are free and clear of all Encumbrances created by, through or under Vendor and Vendor has no knowledge of any other Encumbrances in respect of the Assets, and that Vendor has done no act or thing and is aware of no circumstance, matter or thing where any of the Assets may be cancelled or determined;

(ii) subject to the rents, covenants, conditions and stipulations in the Title and Operating Documents and any other agreement to which the Assets are subject, Purchaser shall be entitled to enter into and upon, hold and enjoy the Assets without any lawful interruption by any Person claiming by, through or under Vendor or its Affiliates;

(iii) the Petroleum and Natural Gas Rights are not subject to reduction by virtue of the conversion or other alteration of the interest of any Third Party claiming by, through or under Vendor; and

(iv) to Vendor's knowledge, none of the Wells is subject to a production penalty or any similar production reduction of any nature arising under a contract as a result of an election by it not to participate in a drilling or other operation; and

(v) Vendor has not received notice of any change or proposed change in the government established production allowables for any of the Wells;

(h) No Default Notices: Except as described in Schedule "D", to Vendor's knowledge after having made reasonable inquiry and a review of the files and records of Vendor in respect thereof, it has not received notice of default under any Applicable Law or the Title and Operating Documents in respect of any of the Assets, which default remains outstanding as of the date hereof;

(i) Compliance with Agreements and Laws: Except as described in Schedule "D", there has been no act or omission whereby Vendor is, or would be, in default under Applicable Law, or under any of the Title and Operating Documents, nor to Vendor's knowledge has there been a breach or default by a Third Party thereunder, which default would be reasonably expected to have a material adverse effect on the value of the Assets.

(j) Financial Commitments: Except as set forth in Schedule "I", there are no outstanding AFEs or other financial commitments respecting the Assets pursuant to which expenditures of greater than twenty-five thousand dollars ($25,000.00) may be required by Vendor after the Closing Date;

(k) Claims: Except for the Claims listed in Schedule "D", there are no Claims which have been served upon Vendor or its Affiliates, or to Vendor's knowledge, threatened, in respect of, or relating to, the Assets;

(l) Take or Pay Obligations: The Assets are not affected by any take or pay obligations except as identified in Schedule "H";

(m) Royalties: To Vendor's knowledge, all ad valorem, property, royalties, production, Crown royalties, deposits, rentals, freehold and overriding royalties, severance and similar taxes and assessments based on or measured by the ownership of the Assets payable by Vendor in respect of the Assets have been paid and discharged;

(n) Environmental Matters: Vendor has made available to Purchaser for its review all information and documentation to Purchaser regarding Environmental Liabilities in Vendor or its Affiliates' possession and, except as set out in Schedule "D", Vendor has no knowledge of, and neither Vendor nor any Affiliate has received:

(i) any order or directive which relates to Environmental Liabilities and which requires any work, repairs, construction or capital expenditures with respect to the Assets which is outstanding as at the date hereof; or

(ii) any demand or notice issued with respect to the breach of any Environmental law, statute, regulation, rule or order relating to the Assets which demand or notice remains outstanding as at the date hereof;

(o) Sale, Processing and Transportation Agreements: Except as set forth in Schedule "F", Vendor is not a party to or bound by any Sale, Processing or Transportation Agreements in respect of the Assets which cannot be terminated without penalty on notice from Vendor of thirty-one (31) days or less;

(p) Material Breach: There is no breach or default on Vendor's part in any material respect under any Sale, Processing and Transportation Agreement, nor to Vendor's knowledge has there been any material breach or default by any Third Party under any such agreement;

(q) Documents: Vendor has made available to Purchaser for its review, all of the Title and Operating Documents in the possession of Vendor or any of its Affiliates that are relevant to the Assets;

(r) Contracts: Except for the Sale, Processing and Transportation Agreements, Vendor has no interest in any (i) gas balancing or similar agreements pertaining to the Petroleum Substances or any of them, (ii) agreements for the sale, dedication, transportation, processing or disposal of, Petroleum Substances or any of them or substances produced in connection with the Petroleum Substances or any of them which are not terminable on 31 days' notice or less without penalty or payment therefor, or (iii) agreements for the contract operation by a Third Party of the Assets or any of them which are not terminable on 31 days' notice or less without penalty or payment therefor.

(s) Operations: Where:

(i) Vendor or any of its Affiliates is the operator of the Assets, during the periods of time when Vendor was operating such Assets, all operations have been conducted in compliance with Applicable Law; and

(ii) neither Vendor nor its Affiliates is not the operator of the Assets, to Vendor's knowledge, all operations related to the Assets have been conducted in compliance with all Applicable Law and in accordance with good oil and gas industry practices.

(t) Area of Mutual Interest: None of the Title and Operating Documents includes an area of mutual interest or an area of exclusion;

(u) Rights of First Refusal: Except as described in Schedule "G", there are no Rights of First Refusal applicable to Vendor or any of the Assets that become operative by virtue of this Agreement or the transaction contemplated hereby;

(v) Penalties: Except as described in Schedule "A", Vendor has not elected or refused to participate in any exploration, development or other operation on the Lands, which has given or may give rise to penalties or forfeitures;

(w) Offset Obligations: Vendor has not received notice of any offset obligations arising under any of the Leases, including any unsatisfied obligation to drill a well or surrender rights or an obligation to pay compensatory royalties;

(x) No Excluded Assets: There are no Miscellaneous Interests (other than Retained Miscellaneous Interests) or Tangibles (other than Retained Tangibles) excluded from the Assets;

(y) Condition of Tangibles: In respect of the Scheduled Assets, Vendor's interest in and to all property, assets, interests and rights comprising the Tangibles is equivalent to Vendor's interest in and to the corresponding Petroleum and Natural Gas Rights and, to Vendor's knowledge, the Tangibles have been constructed, maintained and operated in accordance with good oil and gas field practices and with the material requirements of Applicable Law. No Tangibles will be removed from the Lands or other properties used and useful in respect of the Assets after the date hereof;

(z) Material Loss or Damage: To Vendor's knowledge, from the Effective Date to the date hereof, there has been no change in the Assets which has or would have a material adverse effect on the value, use or operation thereof;

(aa) Well Abandonment: Except as disclosed to Purchaser in the Disclosure Schedule, Vendor has not received notice under Applicable Law to abandon any Well which has not been properly abandoned in accordance with Applicable Law;

(bb) No Carried Interest: To Vendor's knowledge, other than as disclosed on Schedule "K", Vendor is not obligated to pay costs related to the Assets attributable to the interests of a Third Party;

(cc) Receipt of Revenues: To Vendor's knowledge after having made reasonable inquiry and a review of the files and records of Vendor in respect thereof, Vendor has been receiving its share of the net proceeds of production of Petroleum Substances as shown in Schedule "A", and no Third Party is currently claiming that Vendor is not entitled to such amounts, with the possible exception of claims of accounting errors which do not challenge the percentage share of revenues to which Vendor is entitled and which are not material;

(dd) Prepaid Obligations: Vendor is not obligated by virtue of a prepayment, gas balancing, or other arrangement under any contract to make any production payment or to deliver leased substances to any Third Party at some future time without receiving in due course (and being entitled to retain) full payment therefor at current market prices or contract prices; and

4.2 No Additional Representations Or Warranties By Vendor

(a) Vendor makes no representations or warranties to Purchaser other than those in Section 7.1. Except and to the extent provided in Section 4.1, Vendor does not warrant title to the Assets or make representations or warranties with respect to:

(i) the quantity, quality or recoverability of Petroleum Substances;

(ii) any estimates of the value of the Assets or the revenues applicable to future production therefrom;

(iii) any engineering, geological or other interpretations or economic evaluations respecting the Assets;

(iv) the rates of production of Petroleum Substances from the Assets; and

(v) the quality, condition or serviceability of the Assets or suitability of their use for any purpose.

(b) Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of the Assets and the state and condition thereof and that it has relied, in part, on such investigation, analysis, evaluation and inspection as to its assessment of the Assets.

(c) In acquiring the Assets, Purchaser acknowledges and confirms that, except as expressly provided in this Agreement, it will accept the Assets on the basis that the Assets are on an "as is-where is" basis without representation and warranty.

4.3 **Representations and Warranties of Purchaser**

Purchaser represents and warrants to Vendor that:

(a) Organization and Standing: Purchaser is a corporation duly organized and validly subsisting under the laws of Alberta and is duly qualified to carry on business in the jurisdiction(s) where the Assets are located, and to hold legal title to the Assets;

(b) Authorization, Execution and Enforceability: The execution, delivery and performance of this Agreement and the completion of the transactions contemplated hereby have been duly and validly authorized by any and all requisite corporate actions of Purchaser. This Agreement does and any other agreements executed and delivered by Purchaser in connection herewith will constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms, subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity;

(c) No Conflict: The execution and delivery of this Agreement are not, and (provided that all required regulatory approvals are obtained and except for consents and approvals that will be delivered by Purchaser at Closing) the completion of the transactions contemplated hereby in accordance with the terms of this Agreement will not be, in violation or breach of or in conflict with or require any consent, authorization or approval under:

(i) any term or provision of the constating and governing documents of Purchaser;

(ii) any agreement, instrument, license, permit or other governmental authorization to which Purchaser is a party or by which such Purchaser is bound; or

(iii) any judgment, decree, order, statute, regulation, rule, or license applicable to Purchaser;

(d) Qualification: Purchaser, at the time of transfer contemplated pursuant hereto, shall meet all qualification requirements of Governmental Authorities to take such transfers, including the License Transfers, and shall accede to, comply with and perform all requirements of such Governmental Authorities in connection therewith;

(e) No Claims: There are no Claims (i) filed by, on behalf of, or against Purchaser, or (ii) imposed by any Governmental Authority or regulatory body, in either case, whether or not insured and which may adversely affect Purchaser or Purchaser's ability (financial or otherwise) to complete the transactions, contemplated by this Agreement;

(f) Availability of Funds: Purchaser has or at Closing will have funds available to make payment of the Purchase Price and all other amounts to be paid by Purchaser hereunder;

(g) Regulatory Approvals: Except for British Columbia Oil and Gas Commission approvals, there are no regulatory approvals or rulings required to be obtained by such Purchaser in respect of the transactions contemplated by this Agreement;

(h) No Finder's Fee: Purchaser has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of this Agreement or the transactions contemplated hereby for which Vendor shall have any obligation or liability;

(i) Bankruptcy: There are no bankruptcy, reorganization or receivership proceedings pending against, being contemplated by, or, to Purchaser's knowledge, threatened against Purchaser; and

(j) GST Registrant: Purchaser is a registrant for the purposes of the *Excise Tax Act* (Canada). The GST registration number of Purchaser is 71784 7925 RT0001.

4.4 Survival of Representations and Warranties

Except where a time is specified therein, the representations and warranties in this Article 4 shall be true and correct as of the date hereof and at the Closing Date, and such representations and warranties shall continue in full force and effect and shall survive the Closing for the Survival Period at which point in time they shall expire and be of no further force and effect.

ARTICLE 5
CONDITIONS OF CLOSING

5.1 Purchaser's Conditions

The obligation of Purchaser to purchase the Assets pursuant hereto is subject to the following conditions, which are for the exclusive benefit of Purchaser and may be waived in whole or in part by Purchaser by written notice to Vendor at or before Closing:

(a) Approvals: Other than the Permits, before Closing, Vendor shall obtain all filings, notifications and consents to or from any relevant Government Authority and Third Party as Vendor requires to permit the completion of the Transaction;

(b) Representations and Warranties: The representations and warranties of Vendor in this Agreement shall be true and correct in all material respects as of the date hereof and as of the Closing Date, and Vendor shall have delivered an officer's certificate in the form of Schedule "E" to that effect to Purchaser at Closing;

(c) No Substantial Damage: There shall have been no damage to, or alteration of, any of the Tangibles between the Effective Time and the Closing Date which would materially and adversely affect the value of the Tangibles, and Vendor shall have delivered an officer's certificate in the form of Schedule "E" to that effect to Purchaser at Closing;

(d) Compliance with Covenants: Vendor shall have performed or complied in all material respects with all of its obligations, covenants and agreements contained in this Agreement to be performed or complied with at or prior to Closing, and Vendor shall have delivered an officer's certificate in the form of Schedule "E" to that effect to Purchaser at Closing;

(e) No Action or Proceeding: At the Closing Date, no Claim shall be pending before any court or Governmental Authority seeking to restrain or prohibit the transactions contemplated hereby or to obtain material damages or other relief from Purchaser in connection with the consummation of the transactions contemplated hereby;

(f) Closing Deliveries: Vendor shall have complied with Section 6.3;

(g) Outside Date: The Closing shall have occurred not later than the Outside Date; and

(h) Due Diligence: Before Closing, Purchaser shall be satisfied with the results of its investigations, analyses, evaluations and inspections in respect of the Encumbrances to which the Assets are subject, provided that this Subsection 5.1(h) shall only be applicable to Encumbrances that would not be acceptable to a knowledgeable, prudent purchaser buying similar oil and gas properties, acting reasonably.

5.2 **Vendor's Conditions**

The obligation of Vendor to sell the Assets to Purchaser pursuant hereto is subject to the following conditions, which are for the exclusive benefit of Vendor and may be waived in whole or in part by Vendor by written notice to Purchaser at or before Closing:

(a) Representations and Warranties: The representations and warranties of Purchaser in this Agreement shall be true and correct in all material respects as of the date hereof and as of the Closing Date, and Purchaser shall have delivered an officer's certificate in the form of Schedule "E" to that effect to Vendor at Closing;

(b) Compliance with Covenants: Purchaser shall have performed or complied in all material respects with all of its obligations, covenants and agreements contained in this Agreement to be performed or complied with at or prior to Closing, and Purchaser shall have delivered an officer's certificate in the form of Schedule "E" to that effect to Vendor at Closing;

(c) Tender: Purchaser shall have tendered or caused to be tendered to Vendor all amounts to be paid by Purchaser to Vendor at Closing pursuant to this Agreement in the form stipulated in this Agreement;

(d) No Action or Proceeding: At the Closing Date, no Claim shall be pending before any court or Governmental Authority seeking to restrain or prohibit the transactions contemplated hereby or to obtain material damages or other relief from Vendor in connection with the consummation of the transactions contemplated hereby;

(e) Closing Deliveries: Purchaser shall have complied with Section 6.4;

(f) Outside Date: The Closing shall have occurred not later than the Outside Date; and

5.3 **Efforts to Fulfill Conditions**

(a) Each of Purchaser and Vendor shall proceed diligently, honestly and in good faith and use all reasonable efforts with respect to matters within its control to satisfy and comply with and assist in the satisfaction of and compliance with the conditions set forth in Section 5.1, in respect of Purchaser, and Section 5.2, in respect of Vendor.

(b) Upon Closing occurring, each condition set out in Section 5.1 and Section 5.2 shall be deemed to have been satisfied or waived.

5.4 **Failure to Satisfy a Condition**

If a condition in Section 5.1 or Section 5.2 has not been satisfied on or before the Closing Date and such condition has not been waived in writing by the Party for whose benefit such condition has been included herein, such Party may terminate this Agreement by written notice to the other Party prior to the Closing Date without limiting any of its available rights or remedies, provided that a Party shall not be permitted to exercise or purport to exercise any right of termination pursuant to this Section 5.4 if the event or circumstances giving rise to such right is due to a Default by such Party.

5.5 **Effect of Termination**

If this Agreement is terminated prior to the Closing occurring pursuant to Section 5.4, the Parties shall be released from all obligations under this Agreement except as follows:

(a) Section 2.3 shall remain in effect and be binding and enforceable in accordance with its terms; and

(b) the Confidentiality Agreement shall remain in full force and effect in accordance with its terms.

Subject to the foregoing provisions of this Section 5.5, following such termination, each Party shall be responsible for the costs and expenses incurred by it in connection with this Agreement and the transactions contemplated hereby.

ARTICLE 6
CLOSING

6.1 **Place and Date of Closing**

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained.

6.2 **Effective Time**

Purchaser's assumption of the benefits, obligations and risks associated with the Assets will be effective as of the Effective Time, provided Closing occurs. However, possession of the Assets will not pass to Purchaser until Closing.

6.3 **Vendor Deliveries at Closing**

At Closing, Vendor shall deliver, or cause to be delivered, to Purchaser, the following:

(a) a receipt for payment of the amounts payable to Vendor pursuant to Section 2.4;

(b) Encumbrance Discharges, in form satisfactory to Purchaser acting reasonably, in respect of all Encumbrances to the extent they encumber the Assets (except to the extent such Security Interests are Permitted Encumbrances);

(c) the Specific Conveyances executed by Vendor;

(d) an officer's certificate of Vendor in the form of Schedule "E";

(e) the General Conveyance executed by Vendor;

(f) the Escrow Agreement executed by Vendor;

(g) the Trust Agreement executed by Vendor;

(h) the Transition Services Agreement executed by Vendor;

(i) copies of consents to disposition and all Rights of First Refusal notices sent by Vendor and notices of exercise and waivers of Rights of First Refusal obtained by Vendor prior to Closing;

(j) all required filings, notifications and consents from Third Parties, other than Customary Post Closing Consents; and

(k) any other documents required to be delivered by Vendor to Purchaser at Closing pursuant to this Agreement or as Purchaser may reasonably require.

6.4 Purchaser Deliveries at Closing

At Closing, Purchaser shall deliver, or cause to be delivered, to Vendor, the following:

(a) the amounts payable by Purchaser at the Closing pursuant to Section 2.4;

(b) the General Conveyance executed by Purchaser;

(c) the Specific Conveyances executed by Purchaser;

(d) the Escrow Agreement executed by Purchaser;

(e) the Trust Agreement executed by Purchaser;

(f) the Transition Services Agreement executed by Purchaser;

(g) an officer's certificate of Purchaser in the form of Schedule "E"; and

(h) any other documents required to be delivered by Purchaser to Vendor at the Closing pursuant to this Agreement.

6.5 Specific Conveyances

(a) Other than transfers of the Permits which are not yet in Vendor's name and which shall be governed by Section 6.6, Vendor shall, at its cost, prepare all necessary Specific Conveyances for delivery at Closing. For any Specific Conveyances (other than Permit transfers) not delivered at Closing, with the prior written consent of Purchaser, Vendor shall deliver such Specific Conveyances within ten (10) Business Days following Closing. None of the Specific Conveyances shall confer or impose upon a Party any greater rights or obligations than contemplated in this Agreement. It shall not be necessary for any Specific Conveyances to have been executed prior to or at Closing by Third Parties.

(b) Promptly after Closing, Vendor shall, at Purchaser's cost, deliver all Specific Conveyances (other than the Permit transfers) to the appropriate Governmental Authorities and Third Parties in accordance with normal industry practices, and shall, at Purchaser's cost, attend to the registration with the applicable Governmental Authorities of the Specific Conveyances. The Parties shall use all reasonable efforts so that, as soon as reasonably practicable following Closing, Purchaser is recognized by Third Parties as the holder of the Assets.

(c) Subject to and without limiting Section 6.6, Purchaser shall bear all costs, fees and deposits of every nature and kind incurred (whether by Vendor or Purchaser) in registering any Specific Conveyances and registering any further assurances required to convey the Assets to Purchaser.

6.6 **License Transfers**

(a) Certain Permits are not yet in Vendor's name and, as such, License Transfers will be managed pursuant to the terms of the Trust Agreement.

(b) Vendor shall perform any task and make any security deposit with the British Columbia Oil & Gas Commission in order to ensure that all Permits are transferred to Vendor within sixty (60) days of Closing, so that such Permits can be transferred to Purchaser in accordance with the terms of the Trust Agreement.

6.7 **Title and Operating Documents**

Vendor shall deliver or cause to be delivered to Purchaser within ten (10) Business Days following Closing, the original copies of the Title and Operating Documents and the original copies of all records, documents, licenses, reports and data (including, to the extent available, electronic records) comprising the Miscellaneous Interests and that are in the possession or control of Vendor or any of its Affiliates. Notwithstanding the foregoing, if and to the extent such contracts, agreements, records, documents, licenses, reports and data also pertain to interests other than the Assets, photocopies or other copies may be provided to Purchaser in lieu of original copies.

6.8 **White Map Area**

The Parties agree that, except for the rights and interests of Vendor relating to the Retained Assets, all beneficial rights and interests of Vendor and its Affiliates within the White Map Area are included as part of the Assets. If, at any time, a Party discovers any lands or tangibles (other than the Retained Assets) that, at the time of Closing, were owned by Vendor or one of its Affiliates and located in the White Map Area and is now owned by another Person, Vendor shall or shall cause such Person to transfer its interest therein to Purchaser for no additional consideration, and Purchaser shall accept same.

ARTICLE 7
LIABILITIES AND INDEMNITIES

7.1 **Vendor's Indemnities**

Subject to Sections 7.5, 7.6 and 7.8, Vendor shall:

(a) be liable to Purchaser and its Related Parties for all Losses and Liabilities they suffer, sustain, pay or incur; and

(b) indemnify and save Purchaser and its Related Parties harmless from and against all Claims made against them;

insofar as such Losses, Liabilities and Claims are a direct result of any Vendor Default; provided that Vendor shall not be liable to, or be required to indemnify and save harmless, Purchaser or any of its Related Parties pursuant to this Section 7.1 in respect of any Losses, Liabilities or Claims to the extent they result from a Purchaser Default or are caused by or result from the gross negligence or wilful misconduct of Purchaser or its Related Parties.

7.2 **Purchaser's Indemnities**

Subject to Sections 7.5 and 7.9, Purchaser shall:

(a) be liable to Vendor and its Related Parties for all Losses and Liabilities they suffer, sustain, pay or incur; and

(b) indemnify and save harmless Vendor and its Related Parties from and against all Claims made against them;

insofar as such Losses, Liabilities and Claims are a direct result of any Purchaser Default; provided that Purchaser shall not be liable to, or be required to indemnify and save harmless, Vendor or any of its Related Parties pursuant to this Section 7.2 in respect of any Losses, Liabilities or Claims to the extent they result from a Vendor Default or they are caused by or result from the gross negligence or wilful misconduct of Vendor or its Related Parties.

7.3 **Environmental Liabilities**

Subject to Closing occurring, Purchaser hereby agrees to:

(a) be liable to Vendor and its Related Parties for all Losses and Liabilities they suffer, sustain, pay or incur in respect of; and,

(b) indemnify and save harmless Vendor and its Related Parties from and against all Claims made against them in respect of,

any and all past, present, and future Environmental Liabilities, provided that Purchaser shall not be liable to, or required to indemnify and save harmless Vendor or its Related Parties pursuant to this Section 7.3 in respect of Losses, Liabilities or Claims to the extent that they result from a breach of the representation and warranty set forth in Section 4.1(o) if Purchaser has given notice of such breach to Vendor pursuant to, and within the time set forth in, Section 7.5.

7.4 **Future Obligations**

Subject to Closing occurring and to Section 7.1, Purchaser hereby agrees to:

(a) be liable to Vendor and its Related Parties for all Losses and Liabilities they suffer, sustain, pay or incur in respect of; and

(b) indemnify and save harmless Vendor and its Related Parties from and against all Claims made against them in respect of,

all Losses, Liabilities and Claims relating to the Assets that arise out of any matter or thing occurring or arising after the Effective Time, except to the extent that any such Losses, Liabilities or Claims are caused by the gross negligence or wilful misconduct of Vendor or its Related Parties.

7.5 **Claims**

No Claim under Sections 4.1 or 4.3 in respect of a representation or warranty of Vendor or Purchaser, as the case may be, shall be made or be enforceable by a Party, whether by legal proceedings or otherwise, unless written notice of such Claim, with reasonable particulars, is given by such Party to the Party against whom such Claim is to be made within the Survival Period. Similarly, no Claim in respect of any obligation, agreement or covenant of Vendor or Purchaser, as the case may be, that was to be performed prior to Closing, shall be made or be enforceable by a Party, whether by legal proceedings or otherwise, unless written notice of such Claim, with reasonable particulars is given by such Party to the Party against whom such Claim is to be made within six (6) months of the Closing Date. No Claim shall be made by a Party in respect of a Vendor Default or a Purchaser Default, as the case may be, except pursuant to this Article 7.

7.6 **Limitations on Liabilities**

(a) No Claim shall be made against Vendor by Purchaser or its Related Parties in respect of any individual Vendor Default hereunder, or for indemnification in respect thereof, unless the aggregate amount of the Losses and Liabilities suffered, sustained, paid or incurred by Purchaser and its Related Parties in respect of such individual Vendor Default exceeds fifty thousand ($50,000.00) Dollars (with all Vendor Defaults that do not exceed $50,000.00 being hereinafter referred to as "**De Minimus Vendor Defaults**"). Subject at all times to Section 7.6(b) and Section

7.6(e) below, once the aggregate amount of the Losses and Liabilities in respect of an individual Vendor Default exceeds $50,000.00 the full amount of such Losses and Liabilities shall be recoverable by Purchaser and its Related Parties.

(b) No Claim shall be made against Vendor by Purchaser or its Related Parties in respect of any Vendor Default or Vendor Defaults hereunder, or for indemnification in respect thereof, unless and until the aggregate amount of the Losses and Liabilities suffered, sustained, paid or incurred by Purchaser and its Related Parties in respect of all such Vendor Defaults (excluding De Minimus Vendor Defaults) exceeds two hundred thousand Dollars ($200,000) (the "**Deductible**"). In such event, Vendor's obligation and liability shall be limited to the amount of such Losses and Liabilities that are in excess of the Deductible (and, for clarity, shall in no event include any Losses and Liabilities that are in respect of De Minimus Vendor Defaults).

(c) All Claims must be in writing and include particulars of the Claim and the facts giving rise to it. In no event shall the total liability of Vendor to Purchaser in respect of any Claims arising out of or in connection with this Agreement exceed, in the aggregate, the Purchase Price.

(d) The indemnities herein shall not apply to the extent the Losses are caused by the gross negligence, wilful default or wilful misconduct of the indemnified Party.

(e) Purchaser shall not be entitled to bring any Claim in respect of any act, omission, circumstance or other matter of which it, or its Related Parties, had knowledge at the Closing Date, including, without limitation, any representation or warranty given by Vendor which Purchaser or its Related Parties know to be inaccurate or untrue.

(f) In the absence of fraud, no Claim in respect of Sections 7.1 or 7.2 shall be made or be enforceable whether by legal proceedings or otherwise unless notice describing such Claim in reasonable detail is given by the claimant to the other Party within one (1) year of the Closing Date.

7.7 Notice of Claims

If, after the Closing Date, a Claim is asserted in circumstances which do or may give rise to an indemnity under this Article 7, the Party against whom the Claim is asserted shall forthwith give notice of such Claim to the Party required to indemnify and such Parties shall consult and cooperate in respect thereof and in determining whether the Claim and any legal proceedings relating thereto should be resisted, compromised or settled. Each Party shall make available to the other all information in its possession or to which it has access which is or may be relevant to the particular Claim. Purchaser shall provide Vendor with reasonable access to the Lands and Tangibles to which the Claim relates to the extent reasonably necessary in connection with the Claim. No such Claim shall be settled or compromised without the written consent of the indemnifying Party hereunder, which consent shall not be unreasonably withheld. If any such Claim relates exclusively to a period prior to, or on or after the Closing Date, as the case may be, Vendor or Purchaser respectively shall have exclusive conduct of the Claim and all legal proceedings relating thereto.

7.8 Indemnification Procedure – Third Party Claims

The following procedures shall be applicable to any Claim by a Party (for purposes of this Section 7.8, the "**Indemnitee**") for indemnification pursuant to this Agreement from the other Party (for purposes of this Section 7.8, the "**Indemnitor**") in respect of a Claim by a Third Party:

(a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall promptly provide notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Liabilities and Losses that has been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not give timely notice to the Indemnitor as aforesaid, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;

(b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to do either or both of the following:

(i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and\or

(ii) settle the Third Party Claim provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;

(c) each Party shall cooperate with the other in the defence of the Third Party Claim, including making available to the other Party, its directors, officers, employees and consultants whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;

(d) the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor, (which consent shall not be unreasonably withheld or delayed) unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;

(e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and cooperate with the Indemnitor to permit the Indemnitor to pursue such subrogated claims as reasonably requested by it; and

(f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any other Person, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) to the Indemnitor, net of income taxes required to be paid by the Indemnitee as a result of any such receipt and plus any taxes saved or recovered by the Indemnitee as a result of such payment.

7.9 Consequential Damages

In no event shall a Party be liable hereunder for consequential, indirect or punitive damages (including loss of anticipated profits, business interruption or any special or incidental loss of any kind) suffered, sustained, paid or incurred by the other Party or its Related Parties, provided that this Section 7.9 shall not preclude a Party from entitlement to indemnification for such Party's Liability to a Third Party for consequential, indirect or punitive damages which such Third Party suffers, sustains, pays or incurs.

ARTICLE 8
MAINTENANCE AND OPERATION OF THE ASSETS

8.1 Maintenance of Assets Until Closing

From the date hereof until the Closing Date, Vendor shall:

(a) maintain the Assets in a proper and prudent manner in accordance with good oil and gas industry practices and in compliance with all Applicable Law;

(b) maintain in full force and effect any insurance it holds in respect of the Assets and shall give all notices and present all Claims under all policies of insurance within a reasonable period of time upon receipt thereof;

(c) pay when due all costs, expenses and other amounts payable with respect to the Assets;

(d) comply, in all material respects, with all of its obligations under the Title and Operating Documents or any other agreements to which the Assets are subject; and

(e) subject to Section 6.2, provide to Purchaser copies of all AFEs and notices relating to the Assets within a reasonable period of time upon receipt thereof.

8.2 **Consent of Purchaser**

From the date hereof until the Closing Date, Vendor shall not, without the written consent of Purchaser (which consent shall not be unreasonably withheld and which, if provided, shall be provided in a timely manner):

(a) grant a Security Interest with respect to any of the Assets;

(b) amend or terminate any Title and Operating Document or any agreement to which the Assets are subject;

(c) enter into any new agreement respecting the Assets;

(d) surrender or abandon any of the Assets;

(e) resign or take any action which would result in Vendor's or its Affiliate's resignation or replacement as operator of any of the Assets for which Vendor or its Affiliate is the current operator;

(f) propose or initiate the exercise of any right (including bidding rights at Crown sales, rights under area of mutual interest provisions and rights of first refusal) or option relative to, or arising as a result of the ownership of the Assets, or propose or initiate any operations on the Lands which have not been commenced or committed to by Vendor or its Affiliate as of the date of this Agreement;

(g) transfer, lease, license, sell or otherwise dispose of any of the Assets except:

 (i) for sales of Petroleum Substances reasonably made by Vendor or any of its Affiliates in the ordinary course of business; or

 (ii) to the extent required in order to comply with any Rights of First Refusal applicable to the Assets; and

(h) voluntarily assume any new obligation or commitment respecting the Assets if Vendor's or its Affiliate's share of the associated single capital expenditure is estimated to exceed $25,000, except to the extent that Vendor reasonably determines that those expenditures or actions are necessary for the protection of life and property, provided that Vendor will promptly notify Purchaser of any such expenditure or actions.

8.3 **Post-Closing Transition**

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

(a) the provisions of Section 8.1 and Section 8.2 will continue to apply, *mutatis mutandis*;

(b) Vendor shall hold title to the Assets, or any portion thereof, in trust for Purchaser, represent Purchaser and receive and hold all proceeds, benefits and advantages accruing in respect of the Assets for the benefit, use and ownership of Purchaser;

(c) Vendor will forthwith provide to Purchaser all AFEs, notices, mail ballots, specific information, communications, invoices, cash calls, billings, and other documents Vendor receives respecting the Assets, and will respond to such AFEs, notices, mail ballots, information and other documents pursuant to the written instruction of Purchaser, if received on a timely basis, provided that Vendor may refuse to follow instructions that it reasonably believes to be unlawful or in breach of the provisions of a Title and Operating Document by providing notice to that effect to Purchaser in a timely manner;

(d) within ten (10) Business Days following receipt by Vendor, Vendor will deliver to Purchaser, all revenues, proceeds and other benefits received by Vendor respecting the Assets after the Closing Date, together with all relevant statements of operating expenses, less the share of the applicable lessor royalties, operating costs, treating, gathering, processing and product transportation expenses and those other costs and expenses directly relating to the Assets and the production of Petroleum Substances produced therefrom;

(e) Vendor, as agent of Purchaser, will deliver to Third Parties all such agreements, notices and other documents as Purchaser may reasonably request, to effect Purchaser's ownership of the Assets, and all money or other items provided in respect thereof;

(f) Vendor shall, in a timely manner, deliver to Third Parties all such notices and communications as Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets provided that Vendor may (but shall not be obligated to) refuse to follow instructions which it reasonably believes to be unlawful, unethical or in conflict with any applicable Title and Operating Document.

(g) Vendor shall not initiate any operation with respect to the Assets, except upon the written instruction of Purchaser or if Vendor reasonably determines that an operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required without the written instruction of Purchaser and shall promptly notify Purchaser of such intention or actions and Vendor's estimate of the costs and expenses associated therewith;

(h) Vendor shall forthwith deliver to Purchaser all revenues, proceeds and other benefits received by Vendor or its Affiliate with respect to the Assets, which Vendor shall receive and hold in trust for Purchaser, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any costs and expenses it incurs with respect to such revenues;

(i) insofar as Vendor participates in operations or the exercise of rights or options as the agent of Purchaser pursuant to this Article 8, Vendor may require Purchaser to secure the costs to be incurred by Vendor on behalf of Purchaser pursuant to such election in such manner as may be reasonably appropriate in the circumstances;

(j) Purchaser acknowledges that Vendor may not be able to transfer operatorship of some or all of the Assets to Purchaser at or after Closing. Vendor covenants with Purchaser that Vendor shall reasonably cooperate with Purchaser in attempts to obtain the appropriate consents and approvals for the assignment and transfer to Purchaser of operatorship of those of the Assets of which Vendor or its Affiliate is currently the operator; and

8.4 **<u>Vendor as Agent of Purchaser</u>**

(a) Provided Closing occurs and insofar as Vendor maintains the Assets and takes actions on behalf of Purchaser in compliance with the obligations under this Article 8, Vendor will be deemed to have been the agent of Purchaser hereunder. Purchaser hereby ratifies all actions taken, or refrained from being taken, by Vendor under Section 8.3, with the intention that all of those actions will be deemed to be those of Purchaser, except to the extent that Vendor's actions under this Article 8 constitute negligence or wilful misconduct.

(b) Provided Closing occurs, Purchaser will be liable to and, in addition, indemnify Vendor and its Related Parties against all Losses and Liabilities which they suffer, sustain, pay or incur as a result of maintaining the Assets or exercising other rights as Purchaser's agent under this Article 8, to the extent that those Losses and Liabilities are not a result of the negligence or wilful misconduct of Vendor. An act or omission will not be regarded as negligence or wilful misconduct under this Article 8 to the extent that it was done or omitted to be done in accordance with Purchaser's instructions or concurrence.

ARTICLE 9
<u>CONSENTS, APPROVALS AND PREFERENTIAL RIGHTS</u>

9.1 **<u>Purchase Rights</u>**

Schedule "G" is a list of Assets subject to Rights of First Refusal ("**ROFR Assets**"). Within three (3) Business Days of the execution of this Agreement, Purchaser shall, in good faith and on a reasonable basis, provide Vendor with written notice setting out the portions of the Purchase Price Purchaser proposes to allocate to the ROFR Assets ("**ROFR Allocation**"). Within two (2) Business Days after receiving the ROFR Allocations from Purchaser, Vendor shall send notices ("**ROFR Notices**") to all Third Parties (including Vendor and Purchaser, if applicable) holding Rights of First Refusal ("**ROFR Holders**"). Each such notice will include a request for a waiver of any Right of First Refusal or for the granting of the required consent, as the case may be.

9.2 **<u>Allocation of Purchase Price</u>**

Purchaser agrees to indemnify and save Vendor harmless from and against all Claims which may be brought against or suffered by Vendor arising through or attributable to Purchaser's allocation of value to those Assets subject to a ROFR pursuant to this Article 9.

9.3 **<u>Exercise of Rights of First Refusal</u>**

(a) Vendor shall promptly notify Purchaser in writing upon receipt of notice from any ROFR Holder exercising or waiving any ROFRs for which notices were issued.

(b) If a Right of First Refusal is exercised, Vendor shall promptly notify Purchaser of the exercise and:

(i) shall comply with such election and transfer the applicable ROFR Assets to the ROFR Holder exercising such right;

(ii) the ROFR Assets subject to an exercised Right of First Refusal will not be conveyed to Purchaser and this Agreement and the Schedules shall be deemed to be amended accordingly;

(iii) all definitions shall be deemed to be amended accordingly;

(iv) the Purchase Price and allocation set forth in Sections 2.2 and 2.4, respectively, shall be reduced by the applicable ROFR Allocation; and

(v) the Parties shall proceed with Closing for those Assets which are unaffected by such exercised Right of First Refusal.

(c) If at Closing a Right of First Refusal has not been waived and the time to elect has not elapsed (for purposes of this subsection 9.3(c), the "**Unexpired ROFRs**"), Closing shall proceed in respect of the Assets other than those subject to the Unexpired ROFRs, and the conveyance of the Assets subject to the Unexpired ROFRs and payment therefor shall be governed by the Escrow Agreement.

(d) If Purchaser is entitled to receive a ROFR Notice and elects to exercise such notice, that portion of the ROFR Assets which Purchaser is entitled to receive as a result of its exercising the Right of First Refusal shall be conveyed to Purchaser pursuant to this Agreement.

(e) If, within one hundred (100) days from Closing:

(i) Vendor provides to Purchaser written confirmation to Purchaser's reasonable satisfaction, that a ROFR Holder which had previously exercised a Right of First Refusal has subsequently elected to not proceed with, or is otherwise unable to consummate, the acquisition of those of the Assets which were the subject of such exercised Right of First Refusal;

(ii) all rights of ROFR Holders in respect of such Right of First Refusal have otherwise expired or been waived in accordance with its terms; and

(iii) Vendor's subsequent sale and conveyance of such Assets to Purchaser would not give rise to or make operative any further or additional Right of First Refusal, whether triggered by this Agreement or otherwise;

Vendor shall sell and convey such Assets to Purchaser and Purchaser shall purchase and accept such Assets from Vendor, pursuant to an agreement on the same terms as this Agreement, and for an amount equal to the ROFR Allocation.

(f) The Assets affected by the exercise of a ROFR shall be excluded from the definition of Assets herein and from the purchase and sale herein.

ARTICLE 10
ARBITRATION

10.1 Reference To Arbitration

(a) Insofar as the Parties are unable to agree on any matter which expressly may be referred to arbitration hereunder, a Party may serve the other Party written notice that it wishes such matter referred to arbitration.

(b) The Parties shall meet within 7 days of the receipt of a notice issued pursuant to Section 10.1(a) to attempt to agree on a single arbitrator qualified by experience, education and training to determine such matter. If the Parties are unable to agree on the selection of the arbitrator, the Party which issued such notice shall make an application to a judge of the Court of Queen's Bench of the Province of Alberta pursuant to the *Arbitration Act* (Alberta), for the appointment of a single arbitrator, and failing such action on the part of the Party which issued such notice, the other Party may make such application.

10.2 **<u>Proceedings</u>**

(a) The arbitrator selected pursuant to Section 10.1 shall be directed to proceed as soon as is practicable to hear and determine the matter in dispute, and shall be directed to provide a written decision respecting such matter within 45 days of appointment. The Parties shall provide such assistance and information as may be reasonably necessary to enable the arbitrator to determine such matter.

(b) Except to the extent modified in this Article 10, the arbitrator shall conduct any arbitration hereunder pursuant to the provisions of the *Arbitration Act* (Alberta).

(c) The decision of the arbitrator shall be made in writing, shall be final and binding on the Parties and shall not be subject to review or appeal.

10.3 **<u>Compensation</u>**

Each Party shall be responsible for 50% of the arbitrator's fees and reimbursable costs and expenses.

ARTICLE 11
PRE-CLOSING MATTERS

11.1 **<u>Production of Documents</u>**

(a) At all reasonable times from the date hereof until the Closing Date, Vendor shall make available to Purchaser and Purchaser's Representatives, subject to contractual restrictions of Third Parties relative to disclosure, in Vendor's offices in Calgary, such financial, operating and other information as Purchaser may reasonably request pertaining to the Assets and which are in Vendor's or any of its Affiliate's possession or control, including:

(i) the records, files, reports, title opinions, title reports, data and documents comprising part of or otherwise relating to the Assets, including operating, technical and financial data and information; and

(ii) copies of the Title and Operating Documents, and any other agreement and document to which the Assets are subject.

(b) Prior to Closing, Purchaser and its Representatives shall keep confidential all information disclosed to them by Vendor in accordance with the Confidentiality Agreement.

ARTICLE 12
TRANSFERRING PERSONNEL

12.1 **<u>Transferring Personnel</u>**

In respect of the Transferring Personnel, the Parties agree as follows:

(a) Purchaser acknowledges receipt of a list of all of the Transferring Employees and Transferring Contractors (collectively, the "**Transferring Personnel**" and individually a "**Transferring Person**"), which are set out in Schedule "S" hereto, together with, as the case may be, the terms and conditions of employment of the Transferring Employees or the terms and conditions of contract of the Transferring Contractors (collectively, the "**Personal Information**"). Purchaser agrees that the Personal Information shall be kept and maintained as confidential information and shall not be divulged to any Third Party without the written consent of the Transferring Person, unless such disclosure is required by the Regulations.

(b) Prior to Closing, Purchaser or its Affiliate shall meet with and interview all of the Transferring Personnel at a time and location agreed to by the Parties, acting reasonably.

(c) Purchaser or its Affiliate shall provide:

(i) a written offer of employment to each Transferring Employee; and

(ii) a written offer for contract services to each Transferring Contractor,

(each such offer shall be referred to as an "**Offer**"). Each Offer shall be conditional on Closing having occurred, shall provide that the employment or contractor relationship with Purchaser or its Affiliate will commence on the Closing Date and, upon such commencement, such Transferring Person shall resign from Vendor, shall contain a release of Vendor from and against any and all Claims that each such Transferring Person may have against Vendor in connection with his termination of employment or contract services with Vendor and in respect of any Offers to Transferring Employees. For a Transferring Person that commences employment or a contractor relationship with Purchaser, Vendor shall not terminate the employment of, or contractor relationship with, such Transferring Person but shall instead accept such Transferring Person's aforesaid resignation. Purchaser covenants and agrees that any such Offer shall be on terms and conditions substantively the same, in the aggregate, as the terms and conditions of each such Transferring Employee's employment with Vendor, or Transferring Contractor's contractor relationship with Vendor, including, in the case of a Transferring Employee, recognition of past service with Vendor and any previous employer in connection with the Assets for the purpose of calculating and any waiting periods or benefits under Purchaser's or its Affiliates' savings plan, vacation policy or short term disability benefit plans. Each Offer shall provide three (3) Business Days for acceptance by the applicable Transferring Employee or Transferring Contractor.

(d) Prior to delivering the Offers to the Transferring Personnel, Purchaser shall provide copies of the Offers to Vendor for its review. Vendor shall review such Offers and promptly provide to Purchaser any comments on such Offers. The Parties shall negotiate in good faith to finalize the terms of the Offers. Subject to finalizing the terms of the Offers, prior to the Closing Date, Purchaser shall provide the Offers to the Transferring Personnel.

12.2 **Post-Closing Employment Indemnities of Purchaser**

Specifically excluding the obligations and Liabilities in respect of a Transferring Person that does not accept an Offer, Purchaser and its Affiliates shall, after Closing has occurred:

(a) assume, bear and discharge all obligations and Liabilities in respect of or arising out of the employment of the Transferring Personnel that accrue after the Closing Time; and

(b) indemnify and save harmless each of Vendor and Vendor's Related Parties from any Losses, Liabilities and Claims suffered, sustained, paid or incurred by any one or more of them:

(i) in respect of the obligations and Liabilities referred to in Section 12.2(a);

(ii) with respect to Purchaser's collection, use or disclosure of the Personal Information provided to Purchaser by Vendor; and

(iii) with respect to employee evaluation, selection and offer actions taken after the date of this Agreement by Purchaser in connection with the Transaction.

Notwithstanding the above, Vendor shall assume, bear and discharge all obligations and Liabilities in respect of a Transferring Person that does not accept an Offer.

ARTICLE 13
POST-CLOSING COVENANTS OF PURCHASER

13.1 Signs and Notifications

After Closing, Purchaser shall forthwith remove any signs that indicate Vendor's ownership or operation of the Assets. It shall be the responsibility of Purchaser, where necessary, and as soon as reasonably practicable, to erect or install any signs that may be required by Governmental Authorities indicating Purchaser to be the operator of the Assets, and to notify any relevant Third Parties of Purchaser's acquisition of the Assets.

ARTICLE 14
INFORMATION, TAX RETURNS AND ASSESSMENTS AND CONTINUING REPORTS

14.1 Access to Information

After Closing and for seven (7) years thereafter, Vendor and its Affiliates, may upon reasonable notice to Purchaser and subject to contractual restrictions relating to disclosure, have access during normal business hours to the Title and Operating Documents and any engineering reports and the financial statements, books, accounts, records, record books, assessments, filings, maps, documents, files, information and materials relating to the Assets which are in possession of Purchaser for the purpose of obtaining and copying information in respect of matters arising out of or relating to any period of time up to the Closing Date for use by Vendor or its Affiliates:

(a) in connection with audits;

(b) in connection with Vendors' dealings with tax and other regulatory authorities;

(c) to comply with Applicable Law; and

in connection with any action, suit or proceeding commenced or threatened by any Person against Vendor or any of its Affiliates, or its or their respective directors, officers, employees, agents, solicitors, engineers, accountants and consultants for which Vendor or its Affiliates may have any liability.

ARTICLE 15
GENERAL

15.1 Costs and Expenses

Except as specifically provided herein, all legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party that incurred the same.

15.2 Further Assurances

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

15.3 No Merger

There shall not be any merger of any of the covenants, representations, warranties and indemnities contained in this Agreement in any of the Specific Conveyances or any other document or instruments delivered pursuant hereto, at or after Closing, notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived. Each Party will have full right of substitution and subrogation in and to all covenants and warranties by Third Parties previously given or made in respect of the Assets or any part thereof to the extent the provisions of the contracts or other arrangements with the Third Parties so permit.

15.4 **Entire Agreement**

The provisions contained in any and all documents and agreements collateral hereto (including Specific Conveyances) shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof, other than the Confidentiality Agreement, and other than the Confidentiality Agreement, expresses the entire agreement of the Parties with respect to the subject matter hereof. In the event of a conflict between the terms of this Agreement and the terms of the Confidentiality Agreement, the terms of the Confidentiality Agreement shall govern to the extent of the conflict.

15.5 **Governing Law**

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the federal laws of Canada applicable therein and shall, in all respects, be treated as a contract made in the Province of Alberta. Except as provided in Section 3.3, the Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

15.6 **Interest Accrues on Amounts Owing**

Other than as specifically contemplated in this Agreement, any amount owing to a Party by the other Party hereunder after Closing and remaining unpaid will bear interest, compounded and computed monthly at the rate of two percent (2%) per annum above the Prime Rate, from the day that the amount was due to be paid until the day it is paid, regardless of whether the Party has given the other Party prior notice of the accrual of interest hereunder.

15.7 **Assignment**

Prior to Closing, this Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors and permitted assigns. No Person other than the Parties and their successors and permitted assigns shall be entitled to any rights or benefits hereunder. No assignment, transfer or other disposition of this Agreement or all or any portion of the Assets by Purchaser after Closing shall relieve Purchaser from its obligations to Vendor herein. Vendor shall have the option to claim payment or performance of such obligations from Purchaser, the assignee, the transferee or all of them, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle Vendor to receive duplicate payment or performance of the same obligation.

15.8 **Time of Essence**

Time shall be of the essence in this Agreement.

SCHEDULE “P”

TRANSITION SERVICES AGREEMENT

This Agreement is made this May ___, 2017, between:

Predator Oil BC Ltd., a British Columbia corporation ("Vendor")

and

Ranch Energy Corporation, an Alberta corporation ("Purchaser")

WHEREAS:

A. The parties entered into a purchase and sale agreement dated May 8, 2017, (the "Sale Agreement") pursuant to which Vendor has agreed to sell to Purchaser the Assets, and Purchaser has agreed to purchase the Assets, on and subject to the terms set forth in the Sale Agreement; and

B. In connection therewith, Vendor agrees to provide Purchaser with certain transition services as set forth in this Agreement.

Therefore the Parties agree with each other as follows:

1. Defined Terms

Capitalized terms used in this Agreement and not otherwise defined in this Agreement have the meanings given to such terms in the Sale Agreement.

2. Transition Services

During the Transition Period (as that term is defined herein), Vendor will provide to Purchaser, with respect only to the Assets, the services set forth in Schedule "A", attached hereto and made part of this Agreement, and such other transition services that the Parties may otherwise mutually agree to in writing during the Transition Period (the "Services"). For the Transition Period, Purchaser will pay Vendor an amount equal to Vendor's Cost plus five percent (5%) for all Services. For purposes of this Agreement, "Vendor Cost" means the cost historically allocated to the Assets for such Services, including a reasonable amount for overhead, adjusted to reflect any changes in the nature or level of such Service. If no cost has historically been allocated to the Assets for such Service, then "Vendor Cost" will be defined as the sum of (i) the total cost of any individuals' salaries plus 5% for those individuals engaged in providing the Services, prorated on an equitable basis for time spent on providing such Service, plus (ii) any other direct out-of-pocket costs incurred by Vendor in providing such Service. Other than direct out-of-pocket costs incurred by the Vendor, Vendor's total monthly invoice for the Services will not exceed $50,000. During the Transition Period and subject to Vendor's normal workplace policies and procedures, Vendor will allow Purchaser's employees and contractors the right to observe and ask reasonable questions of Vendor relating to Purchaser's future conduct of such Services.

3. Invoicing and Payment

Promptly after the end of each calendar month during which Services are provided by Vendor, Vendor will invoice Purchaser for the Services for that month. All invoices will be paid within 30 days of receipt.

4. General Intent

Vendor will use its commercially reasonable efforts to provide the Services in accordance with its policies, procedures and practices in effect before the consummation of the transactions contemplated by the Sale Agreement. Purchaser agrees to use its commercially reasonable efforts to terminate its use of the Services as soon as reasonably possible and, in all events, to terminate its use of each Service by not later than the end of the Transition Period. During the Transition Period, Vendor and Purchaser will cooperate with each other to the extent reasonably required with respect to the performance of the Services by Vendor. Such cooperation will also extend to the training of Purchaser's employees with respect to the functions required in connection with the performance of the Services. Vendor, in providing the Services, will have discretion, acting reasonably, in determining whether a service requested by Purchaser is unsafe, unlawful or not in accordance with good and prudent oilfield and business practices, and in such event Vendor can refuse to perform such a service.

5. Standard of Care

Vendor shall perform the Services: (i) with the same degree of diligence and care that a reasonably prudent person, having responsibilities of a similar nature, would exercise in comparable circumstances, (ii) in accordance with Applicable Law and (iii) in accordance with good oil and gas filed practices.

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6. Purchaser Review

During the currency of this Agreement and for a period of one month following receipt by Purchaser of final invoice of Vendor, Purchaser may, upon reasonable notice to Vendor, have access during normal business hours to all relevant books, accounts and records of Vendor in respect of Vendor's Services and invoicing of same.

7. Sale Agreement

The Parties acknowledge and agree that this Agreement shall be read and construed such that the Vendor shall not be compensated for any Services if it is already compensated for such Services in the adjustment provisions contained in the Sale Agreement.

8. Validity of Documents

The Parties shall be entitled to rely upon the genuineness, validity or truthfulness of any document, instrument or other writing presented in connection with this Agreement unless such document, instrument or other writing appears on its face to be fraudulent, false or forged.

9. Term of Agreement

The term of this Agreement commences on the date of this Agreement and continues until the earlier of termination by Purchaser pursuant to Section 10 below and three months from the date of this Agreement (the “Transition Period”).

10. Termination

Purchaser may terminate, in whole or in part, its use of any of the Services provided by Vendor under this Agreement upon 5 days’ prior written notice to Vendor.

11. Assignment

This Agreement is not assignable in whole or in part by either Party without the prior written consent of the other Party.

12. Business Records

All records which are necessary for the operation of the Assets that come into the possession of Vendor as a result of performing the Services are the property of and will be delivered or returned to Purchaser at the end of the Transition Period, except that Vendor need only provide copies of such records that are not used solely and exclusively in the operation of the Assets (with any portion thereof pertaining to businesses other than pertaining to the Assets being redacted therefrom).

13. Confidentiality

This Agreement, its terms and the entering into it by the Parties, shall be subject to the Confidentiality Agreement.

14. Indemnification

Purchaser hereby agrees to indemnify, defend, save and hold harmless Vendor, from and against any and all Damages (as hereinafter defined) of any kind which are caused by, arise from, are incurred in connection with or relate in any way to the Services to be provided to Purchaser by Vendor under or pursuant to this Agreement; provided, however, this indemnity will not apply to Damages caused by the negligence or wilful misconduct of Vendor. The term “Damages” means any and all (i) obligations (including corrective and remedial obligations), (ii) liabilities, (iii) damages (including, but not limited to, injury to or death of persons (including, but not limited to, employees of the Vendor)) and damages to or destruction or loss of property (including, but not limited to, the environment and natural resources), (iv) fines, (v) penalties, (vi) losses, (vii) actions, (viii) suits, (ix) claims, (x) judgments, orders, directives, injunctions, decrees or awards of any federal, provincial, or local court or administrative or governmental authority, bureau or agency, and (xi) costs and expenses (including, but not limited to, legal fees, court costs and expert witness fees). Provided further that, if neither this Section 14 nor any of the subsections modifying this Section 14 contains an indemnity obligation that is enforceable under Applicable Law, then, but only in such event, this Section 14 will be modified, read, construed and enforced to the fullest extent permitted by Applicable Law, and any obligation that is enforceable will remain in full force and effect and be binding on the Parties and upon any Person with an indemnity obligation by reason of this Agreement.

15. Limitation of Liability

Notwithstanding anything to the contrary elsewhere in this Agreement, no Party or its Affiliates shall in any event be liable to the other Party or its Affiliates for any incidental, consequential or indirect damages of any kind or character howsoever arising under this Agreement, including loss of use, loss of profit, loss of revenue or income, cost of capital, or loss of business reputation or opportunity.

16. Governing Law

The laws of the Province of Alberta, taking into account the principles of conflict of laws, govern all matters arising under this Agreement. The courts of the Province of Alberta have exclusive jurisdiction in respect of all matters arising out of this Agreement.

17. Notices

All notices or other communications required or permitted to be given hereunder must be in writing and may be delivered by hand, sent by facsimile or sent by reputable courier service. Notices will be deemed given when so delivered by hand or by courier (provided that if not delivered during normal business hours on a Business Day notice will be deemed to occur at the start of normal business hours on the next Business Day) or, if notice is given by facsimile, it is deemed received when actually received by the other Party if received during normal business hours on a Business Day or at the commencement of normal business hours on the next Business Day otherwise. Notice must be delivered to the Parties at the following address and facsimile number:

Vendor:
Predator Oil BC Ltd.
1500 250 2 St SW
Calgary AB T2P 0C1
Facsimile: 587.296.4916
Attention: Greg Macdonald

Purchaser:
Ranch Energy Corporation
1200 815 8 Ave SW
Calgary AB T2P 3P2
Facsimile: 780-402-2448
Attention: Ryan Tobber

Any Party may change the address or facsimile number to which such communications are to be directed to it by giving written notice to the other Party in the manner set forth above.

18. Amendment

This Agreement, or any part of this Agreement, may be changed, altered or amended only by written instrument signed by the Parties.

19. Waiver

The failure by either Party to exercise promptly any right granted in this Agreement or to require strict performance of any obligation imposed under this Agreement will not be deemed a waiver of such right.

20. Severability

Whenever possible, each provision of this Agreement must be interpreted in such manner as to be valid and effective under Applicable Laws, but if any provision of this Agreement or the application of any such provision to any Person or circumstance is held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, (a) such provision will be deemed to be automatically amended to the extent necessary to comply with Applicable Laws and permit enforcement and (b) such finding will not affect the binding effect of the other provisions of this Agreement, unless, in either case, such amendment or finding (after giving effect to any permitted amendment) materially impairs the economic benefit or protections to be derived by a Party from the transactions contemplated hereby, taken as a whole.

21. Interpretation

The headings and captions contained in this Agreement and in Schedule “A” attached to this Agreement are for convenience of reference only and shall not affect in any way the construction or the interpretation of this Agreement. The use of the word “including” and all derivatives thereof herein shall mean “including, without limitation”.

22. No Strict Construction

Notwithstanding the fact that this Agreement has been drafted or prepared by one of the Parties, Purchaser and Vendor confirm that both they and their respective counsel have reviewed, negotiated and adopted this Agreement as the joint agreement and understanding of the Parties, and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

23. Entire Agreement

This Agreement set forth the entire agreement and understanding of the Parties in respect to the transactions contemplated hereby and supersedes all prior agreements, arrangements and undertakings, whether written or oral, relating to the subject matter of this Agreement.

24. Relationship of Parties

Except as specifically provided herein, neither Party may act or represent or hold itself out as having authority to act as an agent or partner of the other Party; or in any way bind or commit the other Party to any obligations whatsoever. Vendor shall have no authority to negotiate or enter into or otherwise bind Purchaser to any agreement, instrument or document. Nothing contained in this Agreement will be construed as creating a partnership, joint venture, agency, trust or other association of any kind, each Party being individually responsible only for its obligations as set forth in this Agreement.

25. Force Majeure

If either Party is prevented from complying, either totally or in part, with any of the terms or provisions of this Agreement by reason of (i) fire, flood, hurricane, storm, or other acts of God, (ii) strike, lockout or other labour trouble, (iii) any law, order, proclamation, regulation, ordinance, demand or requirement of any Government Authority, (iv) riot, war, rebellion or (v) other causes beyond the reasonable control of Vendor or its Affiliates, then upon written notice to the other Party, the affected provisions and/or other requirements of this Agreement will be suspended during the period of such disability and the affected Party will have no liability to the other Party or any other party in connection therewith. The affected Party will use all commercially reasonable efforts to remove such disability within thirty (30) days of giving notice of such disability. Provided that lack of finances will in no way be considered a force majeure.

26. Enurement

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assign

27. Execution

This Agreement may be executed in any number of counterparts with the same effect as if all signatories to the counterparts had signed one document, provided that neither Party is bound to this agreement until both Parties have executed a counterpart. All such counterparts will together constitute and be construed as one instrument.

The undersigned have duly executed this agreement as of the date first above written.

Predator Oil BC Ltd.	**Ranch Resources Corporation**
Per: ___________________________	Per: ___________________________
Per: ___________________________	Per: ___________________________

Schedule "A"

Attached to and forming part of that Transition Services Agreement made and entered into as of May ___, 2017 between Predator Oil BC Ltd. and Ranch Resources Corporation.

SERVICES

1) Field Operations:

   a) Operating, superintending and maintaining all wells, systems and associated personal property and facilities;

   b) Operations necessary to respond to emergencies with respect to wells and related assets;

   c) Operating automated field systems and related computer software and equipment, including SCADA and similar automation and control equipment and facilities;

   d) Maintenance of field data capture systems and tracking;

   e) All BCOGC DDS filings, and submissions as may be required from time to time;

   f) Required workover operations; and

   g) Any joint venture administration that may be required.

2) Production Accounting:

   a) Routine accounting for production and expenses;

   b) Joint interest billing;

   c) Maintenance of royalty records and submissions;

   d) Gathering and forwarding of billings and invoices to Purchaser for payment; and

   e) Other required accounting and regulatory compliance undertakings.

3) LMR Reduction Project:

   a) Upon instructions from Purchaser, perform actions necessary to reduce Purchaser's LMR deposit requirements during the Transition Services period.

4) Land Administration and Rental Payments:

   a) Continue required surface and mineral rental payments to maintain lease terms; and

   b) Assist in transition of rental payment schedules to Purchaser.

APPENDIX ‘B’

AMENDED AND RESTATED TRUST AGREEMENT

THIS AGREEMENT made effective as of the 10th day of July, 2017.

BETWEEN:

> **PREDATOR OIL BC LTD.**, a body corporate registered to carry on business in the Province of British Columbia and having an office in the City of Calgary, in the Province of Alberta ("**Permit Trustee**")
>
> – and –
>
> **RANCH ENERGY CORPORATION**, a body corporate registered to carry on business in the Province of British Columbia and having an office in the City of Calgary, in the Province of Alberta ("**Beneficiary**")
>
> – and –
>
> **OPSMOBIL GROUP INC.**, a body corporate having an office in the City of Calgary, in the Province of Alberta ("**OGI**")

WHEREAS:

(A) Permit Trustee and Beneficiary entered into a purchase and sale agreement (the "**Sale Agreement**") as of the 8th day of May, 2017, which pertains to, *inter alia*, the purchase by Beneficiary of interests in the Assets from Permit Trustee;

(B) A portion of the Assets is composed of various Permits, as such term is defined in the Sale Agreement, which Permits will require transfer from Permit Trustee to Beneficiary through the British Columbia Oil and Gas Commission (the "**BCOGC**");

(C) As of the date hereof, the Permits are held by Permit Trustee;

(D) Upon closing of the Sale Agreement, Permit Trustee and Beneficiary wish for Permit Trustee to hold the Permits in trust for Beneficiary until such time as Beneficiary can accept the transfer of the Permits (the "**License Transfer(s)**") and entered into a trust agreement in respect thereof dated June 16, 2017 (the "**Original Trust Agreement**");

(E) Permit Trustee and Beneficiary wish to amend and restate the Original Trust Agreement pursuant to this Agreement to set out the terms upon which Beneficiary will receive the Permits from Permit Trustee, and the terms upon which Permit Trustee will hold the Permits together with all rights and privileges associated therewith in trust for the benefit of Beneficiary until such time as Beneficiary requests that the Permits be transferred to it; and

(F) In order to effect the License Transfers, Permit Trustee, Beneficiary and OGI agree that Beneficiary, or OGI on its behalf, may be required to make a security deposit with the BCOGC ("**Security Deposit**") or make payments to Permit Trustee, as contemplated herein;

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

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, defined terms shall have the meaning ascribed to them in the Sale Agreement except as set forth below or in the recitals:

(a) "**Agreement**" means this amended and restated trust agreement;

(b) "**AOS**" means the asset operating statements for the Assets;

(c) "**BCOGC License Transfer Compliant**" means that each of Permit Trustee's and Beneficiary's LMR will allow for the transfer by Permit Trustee to Beneficiary of all or any of the Permits, in accordance with Applicable Law, including any bulletins;

(d) "**LMR**" means the liability management rating, as determined by the BCOGC, and is the ratio of a permit holder's deemed assets to deemed liabilities, calculated for all wells and facilities registered to a permit holder;

(e) "**Monitor**" means Sproule Project Management Ltd. or any successor replacement;

(f) "**Net Cash Flow**" means all revenues derived from the Assets less applicable royalties and direct operating expenses in respect thereof and for clarity shall not include any of Beneficiary's overhead, general and administrative expenses, capital expenditures, abandonments costs and expenses or financing costs and expenses;

(g) "**Outside Date**" means May 31, 2019 or, if otherwise agreed by the parties hereto, such later date as mutually agreed upon by the parties in writing;

(h) "**Permit Transfer Requirement**" has the meaning ascribed thereto in Section 3.1(b);

(i) "**Secured Creditor**" means Third Eye Capital Corporation, in its capacity as agent pursuant to the Beneficiary's senior secured debt; and

(j) "**Trust Period**" means the period from the date of this Agreement until the transfer of all of the Permits to Beneficiary as contemplated hereunder.

1.2 Interpretation

For the purposes of this Agreement:

(a) all references herein to currency are to Canadian currency;

(b) "Article", "Section" and other references to subdivisions are, unless otherwise specified, to the designated articles, sections and other subdivisions of this Agreement;

(c) headings of the articles and sections hereof are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

(d) any reference to a government authority includes any government authority succeeding to its functions;

(e) any reference to a statute shall be deemed to include a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto;

(f) any reference to the singular includes the plural and vice versa and any reference to gender includes the masculine, feminine and neuter genders; and upon any substitution in accordance with the foregoing the incidental grammatical and terminological charges shall be construed also to have been made;

(g) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not, unless otherwise specified, to any particular Article, Section or other subdivision. "Including" means "including without limitation"; and

(h) where the character and amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, the same shall be done in accordance with generally accepted accounting principles except where the application of such principles is inconsistent with, or limited by the terms of this Agreement.

1.3 Amendment and Restatement

Effective as of the date hereof, the Original Trust Agreement is hereby amended and restated as set forth herein and, as so amended and restated, continues in full force and effect.

ARTICLE 2
PERMITS IN TRUST

2.1 Permit Trustee Holds Permits

(a) Permit Trustee acknowledges and declares that it holds and stands possessed of the Permits in trust for and on behalf of Beneficiary for the sole use, enjoyment and benefit of Beneficiary, and further acknowledges that all benefit and advantage accruing to the Permits shall be held by Permit Trustee in trust for Beneficiary.

(b) Permit Trustee agrees that it will not sell, assign, transfer, convey, encumber, or surrender the Permits except upon the written instructions of Beneficiary.

(c) Permit Trustee does not purport to, either expressly or by implication, warrant or guarantee title in and to the Permits.

(d) Beneficiary consents to the appointment of Permit Trustee as bare trustee of the Permits, and shall perform, observe and comply with the covenants, terms and conditions pertaining to the Permits. Permit Trustee shall perform, observe and comply with the covenants, terms and conditions pertaining to the Permits as directed by Beneficiary.

2.2 Copies and Access

(a) Permit Trustee shall provide Beneficiary in a timely manner with copies of all notices, orders, directives, documents and other correspondence received by Permit Trustee that pertain to the Permits, and shall respond promptly to such notices, orders, directives, documents and other correspondence pursuant to written instructions from Beneficiary, provided such instructions are received in a timely fashion.

(b) Permit Trustee shall provide Beneficiary with access, during normal business hours, to all information, data, notices and records in Permit Trustee's custody or control, or to which Permit Trustee has access, respecting the Permits.

ARTICLE 3
LICENSE TRANSFERS

3.1 License Transfer Requirement

(a) During the Trust Period, and as soon as possible following the most recent monthly publication by the BCOGC of the LMR associated with the Permits, each of Permit Trustee and Beneficiary shall, within three (3) Business Days, notify the other in writing whether it is BCOGC License Transfer Compliant.

(b) Upon Beneficiary notifying Permit Trustee that Beneficiary is BCOGC License Transfer Compliant and able to make any required Security Deposit with the

BCOGC, if required, Permit Trustee shall submit to the BCOGC the required applications for the transfer of the Permits from Permit Trustee to Beneficiary (the "**Permit Transfer Requirement**").

(c) Upon Permit Trustee transferring and conveying the Permits pursuant to subsection 3.1(b), Beneficiary shall, forthwith and on a best efforts basis, at Beneficiary's own cost, do such further acts and execute and deliver all such further assurances, deeds transfers, conveyances and documents as shall be necessary or desirable to give effect to the transfer and conveyance of the Permits including making such deposits, providing such undertakings, information or other documentation or taking any action as a condition of or a prerequisite under Applicable Law for the approval of the transfer of any Permits.

(d) Beneficiary shall have the right, at any time and from time to time prior to the termination of this Agreement, exercisable by Beneficiary notifying Permit Trustee in writing to accept from Permit Trustee all or some of the Permits, (the "**Permit Option**"). In the event Beneficiary exercises the Permit Option, Permit Trustee and Beneficiary shall, forthwith and on a best efforts basis, at Beneficiary's own cost, do such further acts and execute and deliver all such further assurances, conveyances and documents as shall be necessary or desirable to give effect to the transfer and conveyance of the applicable Permits including, taking all steps as may be required, including making such deposits (except if the deposit is required by the BCOGC to be made by Permit Trustee, in which case Section 3.2(c) shall apply), providing such undertakings, information or other documentation or taking any action as a condition of or a prerequisite under Applicable Law or otherwise under this Agreement for the approval of the License Transfers, provided that, in the event that Beneficiary has elected to acquire less than all of the then-outstanding Permits, then which Permits, if any, to be transferred shall be at the discretion of Permit Trustee, acting in a commercially reasonably manner.

3.2 License Transfer Process

(a) Within five (5) Business Days following receipt of Beneficiary's notice under Sections 3.1(b) or (d) or in accordance with Section 3.3, Permit Trustee shall prepare and where applicable, electronically submit an application to the Governmental Authority for the License Transfers and Beneficiary shall, where applicable, electronically ratify and sign such application.

(b) Should any Governmental Authority deny the License Transfers because of misdescription or other minor deficiencies in the application, Permit Trustee shall within five (5) Business Days correct and re-submit the application for the License Transfers and Beneficiary shall electronically ratify and sign such application.

(c) If, for any reason, a Governmental Authority requires a Party to make a deposit or furnish any other form of security in order to approve the License Transfers, such

Party shall immediately either: (i) make such deposit; or (ii) furnish such other form of security as the Governmental Authority requires.

(d) If a Party (for purposes of this subsection 3.2(d), the "**Defaulting Party**") fails to make a deposit or furnish security it is required to make or furnish under Section 3.2(c) within ten (10) days of the Defaulting Party's receipt of notification from the Governmental Authority that such deposit or security is required, the other Party (for purposes of this subsection 3.2(d), the "**Non-Defaulting Party**") shall have the right to make such deposit or furnish such security. In such event, the Defaulting Party shall (as applicable) reimburse the amount of such deposit or the costs of such security to the Non-Defaulting Party plus interest thereon at the Prime Rate plus four percent (4%) from the date such deposit or security is made or furnished by the Non-Defaulting Party until such reimbursement is made and, in the case of security, cause the security to be returned to the Non-Defaulting Party as soon as possible and indemnify the Non-Defaulting Party for the amount and costs of any draws on the security plus interest thereon at the Prime Rate plus four percent (4%) from the date such draw is made until such indemnification is made. In addition to all other rights to enforce such reimbursement otherwise available to the Non-Defaulting Party, it shall have the right to set-off the amount of such reimbursement or indemnification (including interest) against any other monies due to the Defaulting Party pursuant to this Agreement.

(e) In the event that Beneficiary is a Defaulting Party pursuant to Section 3.2(d) or fails to make any payments set forth in Article 4, and such default or failure to pay continues for a period of at least thirty (30), in addition to any other rights available to Permit Trustee hereunder, Permit Trustee shall be entitled, in its sole discretion, to elect, by notice in writing, to invoke the Permit Transfer Requirement, notwithstanding that the transaction(s) resulting from Permit Trustee's election to do so would result in Beneficiary not being BCOGC License Transfer Compliant and, upon Permit Trustee making such election, the provisions of Section 3.1(c) shall apply.

3.3 Outside Date

At the occurrence of the Outside Date or in the event of a Change of Control, Permit Trustee shall be entitled, in its sole discretion, to elect, by notice in writing, to invoke the Permit Transfer Requirement notwithstanding that the transaction(s) resulting from Permit Trustee's election to do so would result in Beneficiary not being BCOGC License Transfer Compliant and, upon Permit Trustee making such election, the provisions of Section 3.1(c) shall apply. For the purposes of this Section, "**Change of Control**" means any transfer, sale, assignment, merger or other consolidation or combination of Beneficiary with another corporation or other entity or other disposition of shares having the result (directly or indirectly) in a change of the person or persons exercising or who might exercise control over the powers, authority and business affairs of Beneficiary or its successor. The provisions of this Section 3.3 shall apply regardless of the amount of any deposit Beneficiary is required to pay to the BCOGC.

ARTICLE 4
COSTS AND FEES

4.1 Costs of Administration

From and after the completion of the License Transfers from Penn West to Permit Trustee, Beneficiary shall, on a monthly basis thereafter, pay to Permit Trustee a fixed administrative fee equal to:

(a) for months 1-3: thirty-five thousand dollars ($35,000) per month;

(b) for months 4-6: seventy-five thousand dollars ($75,000) per month;

(c) for months 7-9: one hundred thousand dollars ($100,000) per month;

(d) for months 10-12: one hundred twenty thousand dollars ($120,000) per month;

(e) for months 12-15: one hundred thirty-eight thousand dollars ($138,000) per month;

(f) for months 16-20: two hundred thousand dollars ($200,000) per month; and

(g) for months 21-24: two hundred seventy-five thousand dollars ($275,000) per month,

plus any reasonable costs incurred by Permit Trustee as a result of Permit Trustee holding the Permits in trust for Beneficiary.

4.2 Invoicing

(a) Permit Trustee shall invoice Beneficiary from time to time, but in any event no more frequently than monthly, when it incurs costs pursuant to this Agreement.

(b) Beneficiary shall pay all such invoices within thirty (30) days after the date of receipt of an invoice issued in accordance with Section 4.2(a).

(c) If Beneficiary fails to pay any payment or billing contemplated hereunder on the date upon which such payment is due, the unpaid amount shall bear interest following from such due date at the Prime Rate plus two percent (2%) per annum, compounded monthly. The obligation to pay interest shall apply until the unpaid amount is paid in full to Permit Trustee, and shall not merge into a judgment for principal and interest, or either of them. This Section 4.2(c) shall be without limitation to Permit Trustee's other rights hereunder or otherwise held at law or equity.

(d) Invoices issued hereunder shall survive the termination of this Agreement, and shall be deemed to be validly issued after termination to the extent Permit Trustee is entitled to amounts owing in accordance with the terms hereof.

4.3 Cash Flow Allocation

(a) Beneficiary hereby agrees from the date hereof until the earlier of the Outside Date and the termination of this Agreement, twenty-five percent (25%) of Beneficiary's monthly Net Cash Flow derived from operations on the Assets, as determined under the AOS prepared in respect thereof and reviewed and approved by the Monitor, shall be paid to, and held in a segregated account of Beneficiary, in respect of which a blocked account agreement shall be established, which is acceptable to the Secured Creditor (the "**Segregated Account**"), acting reasonably,, with such cash to be solely allocated by Beneficiary, and as agreed to by Permit Trustee, acting reasonably, to a combination of: (i) Abandonment and Reclamation Obligations of the Assets subject to the Permits or otherwise addressing Environmental Liabilities in respect thereof, and (ii) expenditures on oil and gas activities designed to increase production from the reserves on the Assets subject to the Permits.

(b) Commencing on the thirteenth (13^{th}) month following the date hereof until the earlier of the Outside Date and termination of this Agreement, in addition to the amounts segregated in the Segregated Account pursuant to Section 4.3(a), twenty-five percent (25%) of Beneficiary's monthly Net Cash Flow derived from operations of the Assets as determined under the AOS prepared in respect thereof and reviewed and approved by the Monitor, shall be paid to, and held in the Segregated Account, as security in respect of the Security Deposit. .

(c) Beneficiary agrees that, in connection with the Monitor, that it shall calculate monthly Net Cash Flow promptly and in any event no later than 30 days following the end of each month. All amounts to be paid by Beneficiary into the Segregated Account under this Section 4.3 shall be paid immediately upon the determination of monthly Net Cash Flow and in any event within 30 days following the end of each month. Beneficiary shall provide Permit Trustee with monthly asset operating statements and statement of funds placed in the Segregated Account.

(d) The Beneficiary hereby commits to using commercially reasonable efforts to, as soon as reasonably practicable and on commercially reasonable terms, enter into net hedge positions for the Petroleum Substances from the Assets, with no less than a forty percent (40%) net hedge position of anticipated production for the first twelve (12) months following the date hereof and no less than a thirty percent (30%) net hedge position of any anticipated production after the first twelve (12) months following the date hereof.

4.4 OGI Payments

In the event that Beneficiary is unable to, or for any reason does not, make any payment contemplated in this Agreement, including the payments outlined in Sections 3.2(c), 4.1 or 4.3 or any Security Deposit with the BCOGC, OGI hereby acknowledges and agrees that OGI shall be solely liable for making any such payment or Security Deposit on behalf of Beneficiary, as though OGI itself were required to make such payments.

ARTICLE 5
INDEMNIFICATION AND LIABILITY

5.1 Indemnification of Permit Trustee

Beneficiary and OGI covenant and agree with Permit Trustee to be jointly and severally liable to Permit Trustee for, and in addition, to indemnify and save harmless Permit Trustee and its directors, officers, employees and agents from and against, any and all liability, loss, costs, claims, damages and expenses including, without limitation, all penalties, fines, court costs, legal costs (on a solicitor and his own client basis), lessor royalties, accountant and other professional expenses, claims or damages whatsoever arising as a result of Permit Trustee holding the Permits in trust, unless caused by the gross negligence or willful misconduct of Permit Trustee or its agents.

5.2 Liability of Parties

The parties confirm that any failure by a party to transfer or receive, as applicable, the conveyance and assignment of the Permits from Permit Trustee as and when required hereunder, will result in irreparable harm to the other party, which harm could not be adequately compensated by monetary damages. Accordingly, each party agrees that the other party shall be entitled to interim or permanent injunctive relief, specific performance or other equitable remedies in addition to any other relief to which such other party may be entitled under Applicable Law in respect of such failure to receive or accept conveyance and assignment of the Permits.

ARTICLE 6
NOTICES

6.1 Notices

(a) The addresses for service and the fax numbers of the parties hereto shall be as follows:

Permit Trustee: Predator Oil BC Ltd.
1600, 250 2nd Street S.W.
Calgary, AB T2P 0C1

Attention: Greg MacDonald, President & COO
Email: Greg.MacDonald@PredatorOil.com

Beneficiary: Ranch Resources Corporation
1200, 815 – 8th Avenue S.W.
Calgary, AB T2P 3P2

Attention: Ryan Tobber
Email: ryan.tobber@opsmobil.com

OGI: OpsMobil Group Inc.
1200, 815 – 8th Avenue SW
Calgary, AB T2P 3P2

Attention: Ryan Tobber
Email: ryan.tobber@opsmobil.com

(b) All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

(i) by personal service on a party hereto at the address of such party set out above, in which case the item so served shall be deemed to have been received by that party when personally served;

(ii) by electronic transmission to a party hereto to the e-mail address of such party set out above, in which case the item so transmitted shall be deemed to have been received by that party when transmitted;

(iii) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a party hereto at the address of such party set out above, in which case the item so mailed shall be deemed to have been received by that party on the fifth day following the date of mailing (the date of mailing being the day immediately prior to the postmarked date of the envelope containing the notice, communication or statement or if the subject envelope has been lost or destroyed, the date of such notice, communication or statement or if undated the date of the transmittal letter accompanying the same).

(c) A party hereto may from time to time change its address for service or its fax number or both by giving written notice of such change to the other party hereto in accordance herewith.

ARTICLE 7
TERM AND TERMINATION

7.1 Termination

This Agreement shall remain in full force and effect for so long as the Permits, or any part or portion thereof, is held in trust by Permit Trustee for Beneficiary, and thereafter until all accounts between Permit Trustee and Beneficiary, or Permit Trustee and OGI, if applicable, have been settled.

ARTICLE 8
GENERAL

8.1 Assignment and Enurement

(a) A party hereto may only assign this Agreement with the prior written consent of the other party.

(b) This Agreement shall be binding upon and shall enure to the benefit of each of the parties hereto and their respective administrators, trustees, receivers, successors and permitted assigns.

8.2 Entire Agreement

(a) This Agreement contains the entire agreement between the parties hereto in respect of the trust provided for herein and, except as expressly provided for in the Sale Agreement, there are no representations, warranties or agreement, collateral or otherwise, other than as expressed herein.

(b) This Agreement supersedes all other trust agreements between the parties hereto with respect to the Permits.

8.3 Governing Law

This Agreement shall be construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, and each party hereby attorns to the exclusive jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

8.4 Counterpart Execution

This Agreement may be executed in counterparts, including by electronic means, and all counterparts together shall constitute one agreement. No party shall be bound until all parties have executed this Trust Agreement.

8.5 Further Assurances

Each party hereto will, from time to time and at all times hereafter upon request, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

8.6 Severability

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

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

PREDATOR OIL BC LTD.

Per: ______________________
Graydon Glans
Chief Financial Officer

Per: ______________________

RANCH RESOURCES CORPORATION

Per: ______________________
RYAN TOBBER
President & CEO

Per: ______________________

OPSMOBIL GROUP INC.

Per: ______________________
RYAN TOBBER
President & CEO

Per: ______________________

TRUST AGREEMENT

THIS AGREEMENT made as of the 16th day of May, 2018.

BETWEEN:

PREDATOR OIL LTD.
a body corporate, having a place of business
in the City of Calgary, in the Province of Alberta
(hereinafter called "Trustee")

- and -

RANCH ENERGY CORPORTION
a body corporate, having a place of business
in the City of Calgary, in the Province of Alberta
(hereinafter called "Beneficiary")

WHEREAS Trustee is the holder of certain title documents described in Schedule "A" hereto (the "Title Documents") which grant certain rights and interest in and to the petroleum and natural gas and other hydrocarbons within, upon or under the Lands described in Schedule "A" hereto (the "Lands") excluding the Doig Rights from the intervals 1593m to 1666m TVD ("Balance Leases") as described in Schedule "B" and excluding the Top Halfway to base Doig Rights from the intervals 1575m TVD to 1666m TVD ("Fireweed Leases") as described in Schedule "C" hereto;

AND WHEREAS the parties are parties to or successors in interest to an Agreement dated May 8, 2017 and Beneficiary became entitled to certain rights and interests in the Lands granted by the Title Documents, as described in Schedule "A" hereto (the "Beneficial Interest") ;

AND WHEREAS the parties have agreed that the Trustee shall hold the Trust Interests in trust for and on behalf of the Beneficiary, on the terms and conditions hereinafter set forth.

NOW THEREFORE THIS TRUST AGREEMENT WITNESSES that, in consideration of the premises and mutual covenants and conditions herein contained, the Parties agrees as following:

1. The Trustee shall hold the Beneficial Interest in trust for the Beneficiary, subject always to the terms and conditions of this Trust Agreement ("Agreement") and the Title Documents, including all renewals, extensions or continuations thereof.

2. The Effective Date of this Trust Agreement shall be April 1, 2017.

3. The Trustee shall be responsible only for the fulfilment of those conditions necessary for the preservation of the Title Documents. Beneficiary agrees to pay or to assume responsibility for its respective share of all royalties, encumbrances, rentals, taxes and other levies which may be payable with respect to the Title Documents and Lands, or the production obtained therefrom or attributable thereto.

4. Trustee agrees that it will not sell, assign, transfer, convey, or surrender the Lease insofar as it affects and relates to the interests held in trust for Beneficiary hereunder except upon the written permission by Beneficiary, which shall not be unreasonably withheld.

5. The Beneficiary hereby agrees to pay its share of the annual rental payable under the Title documents based on Beneficiary proportionate interest in the Lands and working interest comprised within the Title Documents.

6. The Trustee does not purport to hold in trust for the Beneficiary any better title or interest than it now holds and Trustee does not hereby, either expressly or implied, warrant or guarantee title to the Beneficial Interest.

7. The Trustee shall not dispose of or encumber the beneficial Interest without the written consent of the Beneficiary, provided, if Trustee disposes of all of the Trustee's interest in the Title Documents, Trustee may transfer or assign registered title to the title Documents to the party acquiring the Trustee's interest provided that Trustee obtains the agreement, in writing, of such party to the hold the Beneficial Interest in trust for the Beneficial Owner to be bound to the terms of Agreement in respect thereto.

8. The Beneficiary hereby agrees to indemnify and save harmless the Trustee from and against all actions, claims, suits, costs demands, losses, damages and expenses which may be brought against or suffered by the Trustee or which the Trustee may sustain, pay, or incur by reason of any matter of thing arising out of or attributable to the Trustee holding the Beneficial Interest.

9. The assignment of an interest under this Agreement shall be conducted in accordance with the terms and conditions of the 1993 CAPL Assignment Procedure ("Assignment Procedure") which is incorporated by reference into the Agreement and will be deemed to apply as if it had been included as a schedule to the Agreement. If there is a conflict between the Assignment Procedure and the provisions of this Agreement, the Assignment Procedure shall prevail.

10. In the event any party hereto, subsequent to the Effective Date hereof, encumbers any interest it now holds or may obtain under this Agreement, the party which so encumbers its interest shall be solely responsible for that encumbrance, and hereby agrees to indemnify and save harmless the other parties to this Agreement from any costs, charges or liabilities caused by the said encumbrance.

11. All notices required to be given pursuant to this Agreement may be given by being delivered or sent by prepaid, registered mail to the addresses show below:

PREDATOR OIL LTD.
900, 222 – 3rd Avenue S.W.
Calgary, Alberta T2P 0B4

Attention: Land Manager

RANCH ENERGY CORPORATION
c/o Spoule Niven Fischer Limited
900, 140 – 4th Avenue S.W.
Calgary, Alberta T2P 3N3
Attention: Land Manager

12. All terms, covenants and conditions of this Agreement shall be binding upon and shall enure to the benefit of the parties hereto, their respective successors and assigns.

13. The parties hereto shall from time to time and at all times do all such further acts and execute and deliver all such further documents as shall reasonably be required in order to further perform and carry out the terms and intent of this Agreement.

14. This Agreement may be executed by the parties in as many counterparts as are required and all counterparts together shall constitute one Agreement.

IN WITNESS WHEREOF the parties hereto have executed and delivered these presents.

PREDATOR OIL LTD. (Trustee)	RANCH ENERGY CORPORATION (Beneficiary)
______________________ Greg MacDonald, President	______________________

This is an execution page attached to and forming part of a Trust Agreement dated the 16th day of May, 2018, between PREDATOR OIL LTD. ("Trustee") and RANCH ENERGY CORPORATION ("Beneficiary")

SCHEDULE "A" ATTACHED TO A TRUST AGREEMENT DATED THE 16TH DAY OF MAY, 2018 BETWEEN PREDATOR OIL LTD. ("TRUSTEE") AND RANCH ENERGY CORPORATION ("BENEFICIAY")

TITLE DOCUMENTS	LANDS	ENCUMBRANCES	INTEREST	BENEFICIARY INTEREST
FIREWEED LEASES				
PNG Lease 43650 (M00254)	094-A-13 Blk A Unit 14,15,24,25 094-A-13 Blk A Units 34,35,44,45 094-A-13 Blk A Units 58,59,68,69	CSS	100	PNG down to base 34002 Artex-Halfway-Doig; excluding PNG from top halfway to base Doig PNG from base 42019 Buick Creek –Cadomin-Dunlevy-Nikasassin to base of 34002 Artex-Halfway-Doig; excluding PNG from top halfway to base Doig PNG from base 38002 Pardonet-Baldonnel to base of 34002 Artex-Halfway-Doig; excluding PNG from top halfway to base doig
PNG Lease 57115 (M00378)	094-A-14 Blk E Unit 40,50	CSS	100	PNG from base 42019 Buick Creek-Cadomin-Dunlevy Nikanassin to base 34002 Artex-Halfway-Doig; excluding PNG from top halfway to base doig
BALANCE LEASES				
PNG Lease 14064 (M00927)	094-A-11 Blk I Unit 76,77,86,87,96-98 094-A-14 Blk A Unit 6,7	CSS	25	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 9233 (M00243)	094-A-11 Blk L Unit 96 094-A-14 Blk D Unit 6	CSS	58.9822	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 54683 (M00327)	094-A-14 Blk L Unit 18,19,28,29	CSS	100	PNG from base 38008 Baldonnel to base 34002 Artex-Halfway-Doig; excl PNG in Doig
PNG Lease 6662 (M00242)	094-A-11 Blk L Unit 97 094-A-14 Blk D Unit 7	CSS	100	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 41775 (M00255)	094-A-13 Blk A Units 76,77,86,87	CSS	100	PNG base 42019 Buick Creek Cadomin Dunlevy Nikanassin to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 6644 (M00240)	094-A-14 Blk D Unit 16,17,26,27	CSS	100	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 40709 (M00710)	Twp 085 Rge 24 W6M 35, W36 Twp 086 Rge 24 W6M E10, SW14, SE15	CSS .25% GOR on 50% prod pd to Basin .25% GOR on 50% prod pd to Leiper	100	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig

		.25% GOR on 50% prod pd to Treasure Oil 1% GOR on 50% prod pd to Cumming Expl .25% GOR on 50% paid to Randy Caine .25% on 50% prod pd to SD Williams .25% GOR on 50% prod pd to K.M Palese .25% GOR on 50% prod pd to L Motiuk		
PNG Lease 11479 (M00713)	Twp 086 Rge 24 W6M 2, S,NW11	CSS .25% GOR on 50% prod pd to Basin .25% GOR on 50% prod pd to Leiper .25% GOR on 50% prod pd to Treasure Oil 1% GOR on 50% prod pd to Cumming Expl .25% GOR on 50% paid to Randy Caine .25% on 50% prod pd to SD Williams .25% GOR on 50% prod pd to K.M Palese .25% GOR on 50% prod pd to L Motiuk	100	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 10712 (M00712)	Twp 086 Rge 24 W6M NE11	CSS .25% GOR on 50% prod pd to Basin .25% GOR on 50% prod pd to Leiper .25% GOR on 50% prod pd to Treasure Oil 1% GOR on 50% prod pd to Cumming Expl .25% GOR on 50% paid to Randy Caine .25% on 50% prod pd to SD Williams	100	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig

		.25% GOR on 50% prod pd to K.M Palese .25% GOR on 50% prod pd to L Motiuk		
PNG Lease 41600 (M00711)	Twp 086 Rge 24 W6M N,SE14	CSS	100	PNG to base 34002 Artex-Halfway-Doig; excluding PNG in Doig
PNG Lease 45193 (M00729)	Twp 088 Rge 24 W6M 6	CSS	1.7789	PNG to base of 34002 Artex-Halfway-Doig; excluding PNG in Doig

APPENDIX ‘C’

Ranch Energy, OpsMobil, et al.
Cash flow forecast for the period of October 22, 2018 to November 30, 2018
$000's, CAD

Week ended	Notes	26-Oct-18	02-Nov-18	09-Nov-18	16-Nov-18	23-Nov-18	30-Nov-18	Total
Oil and gas receipts	*A*	759	-	-	-	-	980	1,739
Liquids receipts		50	-	-	-	-	50	100
Joint interest billings		25	-	-	-	-	25	50
Insurance proceeds		-	-	-	-	-	-	-
Total receipts		834	-	-	-	-	1,055	1,889
Field operating costs	*B*	(309)	(366)	(135)	(25)	(43)	(141)	(1,018)
Professional fees	*C*	(80)	(75)	(80)	-	(80)	(75)	(390)
Salaries, wages and source deductions		(114)	-	(114)	-	(114)	-	(341)
Transportation costs		(617)	-	-	-	-	(402)	(1,019)
Carbon taxes		(201)	-	-	-	-	(201)	(402)
Mineral leases (Crown)		-	(81)	-	-	-	(157)	(238)
Road use fees		-	(240)	-	-	-	-	(240)
Maintenance and regulatory		(20)	-	-	-	-	(20)	(40)
Contingency		(100)	-	-	-	(100)	-	(200)
Royalties (Crown and freehold)		(45)	-	-	-	-	(45)	(90)
General and administrative expenses		-	(60)	-	-	-	(56)	(116)
Surface leases (Crown)		-	(30)	-	-	-	(98)	(128)
Insurance		-	(10)	-	-	(43)	(10)	(62)
Surface leases (freehold)		-	(38)	-	-	-	(18)	(56)
Total disbursements		(1,485)	(900)	(329)	(25)	(379)	(1,222)	(4,340)
Total net change in cash		(651)	(900)	(329)	(25)	(379)	(167)	(2,451)
Opening cash balance		1,521	2,070	1,171	1,141	1,116	1,295	1,521
Additional Receiver's borrowings		1,200	-	300	-	558	-	2,058
Ending cash balance		2,070	1,171	1,141	1,116	1,295	1,128	1,128
Regulatory reserve	*D*	(410)	(410)	(410)	(410)	(410)	(410)	(410)
Unpaid disbursement reserve	*E*	(566)	(586)	(586)	(586)	(586)	(718)	(718)
Ending available cash balance		1,094	174	145	120	299	-	-

A Anticipated oil and gas receipts based on forecast pricing and production volume estimates.
B Cost estimates based on historical lease operating costs.
C Estimated fees for the Receiver and the Receiver's counsel.
D The Receiver has maintained a regulatory reserve for BCOGC compliance requirements.
E The Receiver has accrued funds incurred but not yet paid.