

AGENCY AGREEMENT

Effective as of May 23, 2019

Southern Energy Corp.
Suite 2400, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1

Attention: Mr. Ian Atkinson
President and Chief Executive Officer

Dear Sir:

Re: Private Placement of Convertible Debentures

Laurentian Bank Securities Inc. ("**LBS**") and Eight Capital, as co-lead agents (collectively, the "**Co-Lead Agents**"), together with Cormark Securities Inc., Desjardins Securities Inc., Canaccord Genuity Corp. and Haywood Securities Inc. (collectively, the "**Agents**" and each, an "**Agent**"), understand that Southern Energy Corp. (the "**Corporation**") proposes to issue and sell by way of private placement up to 8,000 convertible unsecured subordinated debentures (the "**Debentures**") at a price of \$1,000 per Debenture for aggregate gross proceeds of up to \$8,000,000 (the "**Offering**").

The Debentures will bear interest at a rate of 8.00% per annum payable semi-annually on December 31 and June 30 of each year in cash. Each Debenture shall mature on June 30, 2022 (the "**Maturity Date**"). The Debentures will be repaid in cash at the Maturity Date. The principal amount of each Debenture will be convertible at the holder's option into common shares in the capital of the Corporation ("**Common Shares**") at any time prior to the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified for redemption by the Corporation, at a conversion price of \$0.125 per Common Share (the "**Conversion Price**"). In addition to the foregoing, in the event of a change of control of the Corporation, subject to certain terms and conditions, holders of Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per \$1,000 principal amount of Debentures.

The Debentures will not be redeemable at the option of the Corporation before June 30, 2020. On or after June 30, 2020 and prior to June 30, 2021, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 30 days prior notice at a price equal to 105.0% of the principal amount thereof plus accrued and unpaid interest. On or after June 30, 2021 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 30 days prior notice at a price equal to 102.5% of the principal amount thereof plus accrued and unpaid interest.

The Agents shall have the option (the "**Agents' Option**") to offer for sale up to 1,200 additional Debentures (the "**Agents' Option Debentures**", and together with the Debentures, the "**Offered Debentures**") on the same terms of the Offering. The Agents' Option is exercisable at any time up to 48 hours prior to the date of the closing of the Offering (the "**Closing Date**").

The description of the Debentures herein is a summary only and is subject to the specific attributes and detailed provisions of the Debentures to be set forth in an indenture (the "**Debenture Indenture**") to be

entered into by the Corporation and the Debenture Agent (as defined herein) concurrently with the closing of the Offering. In case of any inconsistency between the description of the Debentures in this Agreement (as defined herein) and the terms of the Debentures as set forth in the Debenture Indenture, the provisions of the Debenture Indenture shall govern.

Upon and subject to the terms and conditions contained in this Agreement, the Agents agree to act as, and the Corporation by this Agreement appoints the Agents as the sole and exclusive agents of the Corporation to offer the Offered Debentures for sale on the Closing Date, in the Selling Jurisdictions (as defined herein) on a private placement basis and to use their commercially reasonable efforts to secure subscriptions therefor. The Corporation acknowledges and agrees that an Agent may, but is not obligated, to purchase any of the Offered Debentures as principal. The Offered Debentures shall be issued and sold pursuant to exemptions under Applicable Securities Law (as defined herein) in the Selling Jurisdictions.

The net proceeds of the Offering will be used by the Corporation to fund the acquisition of oil and gas assets in the State of Mississippi from a private producer (the "**Acquisition**") and the Offering will close concurrently with the Acquisition.

In connection with the offering and sale of the Offered Debentures, the Agents shall be entitled to retain as sub-agents other registered securities dealers and may receive offers for Offered Debentures from purchasers from other registered dealers. The fee payable to any such sub-agent shall be for the account of the Agents.

In consideration for the services rendered hereunder, the Agents will receive a commission fee (the "**Agents' Fee**") equal to 5% of the aggregate gross proceeds of the Offering, payable on the Closing Date in Debentures (the "**Agents' Fee Debentures**"), registered in such manner as directed by the Agents. The Agents will also receive reimbursement for their reasonable costs and expenses in accordance with section 10 hereof payable out of the proceeds of the Offering. For greater certainty, the Agents' Fee payable to the Agents in connection herewith will not be subject to the Goods and Services Tax provided for in the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided.

The parties acknowledge that the Offered Debentures and the Common Shares issuable upon conversion of the Debentures, have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States, and may only be offered and sold in the United States or to, or for the benefit or account of, U.S. Persons or persons in the United States pursuant to exemptions from the registration requirements of the U.S. Securities Act and the applicable laws of any state of the United States.

The following are the terms and conditions of the agreement among the Corporation and the Underwriters:

1. Definitions and Interpretation.

In this Agreement, the following terms shall have the following meanings:

"**Acquisition**" means the proposed acquisition by the Corporation, in accordance with the terms of the Acquisition Agreement, of the Mississippi Assets.

“Acquisition Agreement” means the purchase and sale agreement dated April 25, 2019 between the Southern Energy CMS, LLC and Roundtree, providing for the Acquisition.

“Acquisition Reserves Report” means the report prepared by NSAI, evaluating the crude oil, natural gas and natural gas liquids reserves attributable to the Mississippi Assets dated April 15, 2019 and effective January 31, 2019.

“Agents' counsel” means Dentons Canada LLP.

“Agents' Expenses” has the meaning ascribed thereto in section 10.

“Agents' Fee” has the meaning ascribed thereto on the second page of this Agreement.

“Agents' Fee Debentures” has the meaning ascribed thereto on the second page of this Agreement.

“Agreement” means this agency agreement as it may be amended from time to time and not any particular section or portion except as may be specified, and words such as **“hereto”**, **“herein”** and **“hereby”** refer to this Agreement as the context requires.

“Applicable Securities Laws” means, unless the context otherwise requires, all applicable securities laws in each of the Selling Jurisdictions and the applicable securities laws of all other jurisdictions other than the Selling Jurisdictions in which the Offered Debentures are offered for sale, as applicable, and the respective regulations and rules made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, national or multilateral instruments, orders, blanket rulings and other regulatory instruments of the securities regulatory authorities in such jurisdictions, and **“Canadian Securities Laws”** means the Applicable Securities Laws in each of the Selling Jurisdictions.

“ASC” means the Alberta Securities Commission.

“Business Day” means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in the City of Calgary, Alberta, are not open for business.

“CBCA” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, including the regulations promulgated thereunder.

“Closing Date” means June 14, 2019, or such other date as agreed to by the Corporation and the Agents.

“Closing Time” means 12:00 p.m. (Calgary time) on the Closing Date or such other time as agreed to by the Corporation and the Agents.

“Common Shares” means the common shares in the capital of the Corporation, as presently constituted.

“Corporation Financial Statements” means (a) the unaudited financial statements of the Corporation as at and for the three months ended March 31, 2019; (b) the audited annual financial statements of the Corporation as at and for the years ended December 31, 2018 and December 31, 2017, together with the related notes thereto and the auditors' report thereon; and (c) the audited annual financial statements of the Corporation as at and for the years ended December 31, 2017 and December 31, 2016, together with the related notes thereto and the auditors' report thereon.

“Corporation's auditors” means Deloitte LLP.

“Corporation's counsel” means Stikeman Elliott LLP.

“Debenture Agent” means Computershare Trust Company of Canada.

“Debenture Indenture” means the trust indenture dated the Closing Date between the Corporation and the Debenture Agent providing for the issuance of the Offered Debentures.

“Debenture Shares” means the Common Shares issuable upon conversion of Debentures (including the Agents' Fee Debentures) at the election of holders of such Debentures in accordance with the terms of the Debenture Indenture.

“Disclosure Record” means all information filed by or on behalf of the Corporation with the Securities Commissions since January 1, 2017 and accessible on SEDAR, including without limitation any information filed with any Securities Commission in compliance, or intended compliance, with any Canadian Securities Laws.

“distribution” means “distribution” or “distribution to the public”, as the case may be, as defined under Canadian Securities Laws and “distribute” has a corresponding meaning.

“Due Diligence Responses” means the written and verbal responses (to the extent such verbal responses are subsequently reduced to writing in a form acceptable to the Corporation, acting reasonably) provided by the Corporation together with all materials provided to the Agents during any due diligence session held in connection with the Offering.

“Engagement Letter” means the engagement letter dated May 23, 2019 between the Agents and the Corporation.

“Exchange” means the TSX Venture Exchange Inc.

“IFRS” means International Financial Reporting Standards, as adopted by the International Accounting Standards Board, as amended from time to time.

“material adverse effect” means, with respect to the Corporation, any matter or action that has an effect or change that is, or would reasonably be expected to be, material and adverse to the business, operations, assets, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise), or cash flow of the Corporation and the Southern Subsidiaries (taken as a whole).

“material change”, “material fact” and **“misrepresentation”** shall have the meanings ascribed thereto under the Applicable Securities Laws.

“Mississippi Assets” means the petroleum and natural gas properties, interests and related assets located in the State of Mississippi to be acquired from Roundtree pursuant to the Acquisition Agreement.

“NI 45-102” means National Instrument 45-102 – *Resale of Securities*.

“NI 45-106” means National Instrument 45-106 – *Prospectus Exemptions*.

"NSAI" means Netherland, Sewell & Associates, Inc., independent petroleum consultants of Texas, United States.

"Roundtree" means the vendors of the Mississippi Assets, including Roundtree & Associates Inc., a corporation existing under the laws of the State of Mississippi.

"SEDAR" means the System for Electronic Document Analysis and Retrieval at www.sedar.com.

"Securities Commissions" means, collectively, the securities commissions or similar regulatory authorities in the Selling Jurisdictions and **"Securities Commission"** means any of them.

"Selling Dealer Group" means the dealers and brokers other than the Agents who participate in the offer and sale of the Offered Debentures pursuant to this Agreement.

"Selling Jurisdictions" means each of the provinces of Canada.

"Southern Reserves Report" means the report prepared by NSAI, evaluating the crude oil, natural gas and natural gas liquids reserves of the Corporation as at December 31, 2018, with a preparation date of March 15, 2019.

"Southern Subsidiaries" means, collectively, Southern Energy Corporation (Delaware), Southern Energy Operating, LLC, Southern Energy BWB, LLC, Southern Energy CMS, LLC and Southern Energy SO, LLC.

"Subscribers" means the persons who, as purchasers, acquire Debentures by duly completing, executing and delivering Subscription Agreements and any other required documentation.

"Subscription Agreements" means the subscription agreements to be entered into at the Closing Time between the Corporation and each of the Subscribers setting out the contractual relationship between the Corporation and the Subscribers, in form and substance satisfactory to the Corporation and the Agents, and includes all schedules and appendices thereto.

"subsidiary" has the meaning ascribed thereto in the CBCA.

"Swaps" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions).

"Transaction" means, collectively, the Acquisition and the Offering.

"Transfer Agent" means Computershare Trust Company of Canada in its capacity as transfer agent and registrar of the Corporation at its principal offices in Calgary, Alberta.

"Transaction Agreements" means, collectively, the Acquisition Agreement, this Agreement, the Subscription Agreements and the Debenture Indenture.

"United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

"U.S. GAAP" means the United States generally accepted accounting principles.

"U.S. Person" means a **"U.S. person"**, as such term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act.

"U.S. Securities Act" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

In this Agreement, **"to the best of the Corporation's knowledge, information and belief"**, or equivalent statement, means a statement as to the knowledge of the Chief Executive Officer, Chief Financial Officer and Vice President, Engineering of the Corporation about the facts or circumstances to which such phrase related, after having made due and applicable inquiries and investigations in connection with such facts and circumstances that would ordinarily be made by senior officers of oil and gas exploration and production companies in the discharge of their duties for the purpose of this Offering, including, where applicable, after having inquiries of officers and employees of the Corporation or Roundtree, as applicable, who may reasonable be expected to have knowledge of the facts or circumstances which are material to the subject matter of the phrase. In this Agreement, **"to the knowledge of the Corporation"**, **"to the Corporation's knowledge"** or equivalent statement, means a statement as to the actual knowledge, without further inquiry or investigation, of the Chief Executive Officer, Chief Financial Officer and Vice President, Engineering of the Corporation about the facts or circumstances to which such phrase related.

2. The Offering

- (a) **Offering.** The Corporation hereby appoints the Agents to act as exclusive agents to offer and sell the Offered Debentures on a private placement basis and the Agents hereby accept such appointment. Notwithstanding anything to the contrary contained herein or any oral representations or assurances previously or subsequently made by the parties hereto, this Agreement does not constitute a commitment by, or legally binding obligation of, the Agents or any of their respective affiliates to act as underwriters or initial purchasers in connection with any offering of securities of the Corporation, including the Offered Debentures, or to provide or arrange any financing, other than the appointment as agents in connection with the Offering in accordance with the prior sentence and otherwise on the terms set forth herein.
- (b) **Sale on Exempt Basis.** The Agents shall use their "best efforts" to arrange for the purchase of the Offered Debentures which comprise the Offering:
 - (i) In the Selling Jurisdictions on a private placement basis in compliance with Applicable Securities Laws and this Agreement; and
 - (ii) In such other jurisdictions as may be agreed upon between the Corporation and the Agents, on a private placement basis in compliance with all applicable securities laws of such other jurisdictions provided that no prospectus, registration statement or similar document is required to be filed in such jurisdiction, no registration statement or similar requirement would apply with

respect to the Corporation in such other jurisdictions, no fees or other payments would become payable by the Corporation in such other jurisdictions and the Corporation does not thereafter become subject to ongoing continuous disclosure obligations in such other jurisdictions.

- (c) **Filings.** The Corporation undertakes to file or cause to be filed all forms or undertakings required to be filed by the Corporation in connection with the issue and sale of the Debentures such that the distribution of the Debentures and the Debenture Shares may lawfully occur without the necessity of filing a prospectus, a registration statement or an offering memorandum in Canada, the United States or elsewhere, and the Agents undertake to use their best efforts to cause Subscribers to complete any forms required by Applicable Securities Laws. All fees payable in connection with such filings shall be at the expense of the Corporation.
- (d) **No Offering Memorandum.** Neither the Corporation nor the Agents shall: (i) provide to prospective Purchasers any document or other material or information that would constitute an offering memorandum within the meaning of Applicable Securities Laws; or (ii) engage in any form of general solicitation or general advertising in connection with the offer and sale of the Debentures, including but not limited to, causing the sale of the Debentures to be advertised in any newspaper, magazine, printed public media, printed media or similar medium of general and regular paid circulation, broadcast over radio, television or telecommunications, including electronic display, or conduct any seminar or meeting relating to the offer and sale of the Debentures whose attendees have been invited by general solicitation or advertising.
- (e) **Press Releases.** In order to comply with applicable U.S. Securities Laws, any press release announcing or otherwise concerning the Offering shall include an appropriate notation as follows: "Not for dissemination in the United States or through U.S. newswire services". In addition, any such press release shall contain the following disclaimer: "The securities being offered have not been, nor will they be, registered under the U.S. Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act) absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any State of the United States in which such offer, solicitation or sale would be unlawful."

3. The Acquisition

The Corporation shall: (i) take all reasonable actions within its control to complete the Acquisition concurrently with the closing of the Offering; (ii) take all reasonable actions within its control to ensure that the approval of the Acquisition by the Exchange is obtained; and (iii) prepare and file all documents required by Securities Commissions in connection with the issuance and sale of the Offered Debentures by the Corporation and the issuance of the Debenture Shares, in each case, so as to permit and enable such securities to be lawfully distributed on an exempt basis in the Selling Jurisdictions and any other jurisdictions where the Offered Debentures are offered and sold in accordance with this Agreement and the Subscription Agreements.

4. Covenants of the Corporation

- (a) The Corporation covenants and agrees:
- (i) to file all applicable forms and reports that are required to be filed by the Corporation with the appropriate Securities Commissions and other regulatory authorities in connection with the issuance of the Offered Debentures;
 - (ii) as soon as reasonably possible, and in any event by the Closing Date, to take all such steps as may be necessary to comply with such requirements of Applicable Securities Laws to enable the Debentures to be offered for sale and sold on a private placement basis in the Selling Jurisdictions and any other jurisdictions where the Offered Debentures are offered and sold, in accordance with Applicable Securities Laws, by it or through the Agents or any other investment dealers or brokers registered in any of the applicable Selling Jurisdictions and any other jurisdictions where the Offered Debentures are offered and sold by way of the exemptions under Applicable Securities Laws as contemplated hereby and to comply with the provisions of NI 45-102 and NI 45-106;
 - (iii) prior to the Closing Time and during the period commencing on the date hereof until the completion of the distribution of the Offered Debentures, to allow the Agents and its counsel to conduct all due diligence which the Agents may reasonably require in order to fulfill the Agents' obligations as investment dealers, and will provide to the Agents and the Agents' Counsel reasonable access to the Corporation's properties, senior management personnel, legal counsel and corporate, financial and other records for the purposes of conducting such due diligence reviews. Without limiting the generality of the foregoing, the Corporation shall make available its senior management, auditors, independent engineers, legal counsel and the auditors and engineers of the Mississippi Assets to answer any questions which the Agents may have (the "**Due Diligence Questions**") and to participate in one or more due diligence sessions to be held prior to the Closing Time (collectively, the "**Due Diligence Session**"). The Agents shall distribute a list of written questions to be answered in advance of such Due Diligence Session and the Corporation shall provide written responses to such questions in advance of the Due Diligence Session and shall use commercially reasonable efforts to have the above-mentioned auditors, engineers and legal counsel provide written Due Diligence Responses;
 - (iv) the Corporation shall duly execute and deliver at or before the Closing Date, those Subscription Agreements it determines to accept, acting reasonably, the Debenture Indenture and the certificates evidencing the Debentures (if any), and comply with and satisfy all terms, conditions and covenants therein contained to be complied with or satisfied by the Corporation;
 - (v) prior to the Closing Time, it shall allot and reserve for issuance a sufficient number of Common Shares to satisfy the conversion of the Debentures;
 - (vi) the Corporation shall ensure that the Debenture Shares issuable upon conversion of the Debentures shall be issued as fully paid and non-assessable

securities of the Corporation, and shall have the attributes corresponding in all material respects to the description thereof set forth in the Transaction Agreements;

- (vii) it shall retain the Debenture Agent or a substituted licensed trust company as the trustee under the Debenture Indenture; and
- (viii) it will allow the Agent and Agents' Counsel to participate fully in the preparation and review of the Subscription Agreements and the Debenture Indenture.

5. Material Change and Certain Other Covenants

- (a) During the period commencing on the date hereof to the Closing Time, the Corporation will promptly inform the Agents in writing of the full particulars of the occurrence or discovery of:
 - (i) any material change (actual, anticipated or threatened) in or affecting: (A) the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or, to the best of the Corporation's knowledge, information and belief, the Mississippi Assets; or (B) the Acquisition;
 - (ii) any change in any material fact contained or referred to in any information regarding the Corporation previously provided to the Agents; and
 - (iii) the discovery by the Corporation of any misrepresentation in any information regarding the Corporation previously provided to the Agents;

which, in any such case, is, or may be, of such nature to: (A) render the Due Diligence Responses, taken as a whole, untrue, false, or misleading in any material respect; (B) result in a misrepresentation in any of the due diligence documentation provided by the Corporation for review by the Agents or Agents' Counsel or in the Due Diligence Responses, taken as a whole; or (C) result in the Corporation not complying with Applicable Securities Laws, provided that if there may be any reasonable doubt as to whether a material change, change in material fact, occurrence or event of the nature referred to in this subsection has occurred, the Corporation shall promptly inform the Agents of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Agents as to whether the occurrence is of such nature prior to making any filing referred to in this section 5;

- (b) During the period commencing on the date hereof to the Closing Time, the Corporation will promptly provide to the Agents, for review by the Agents and the Agents' counsel, prior to filing or issuance:
 - (i) any financial statement or management's discussion and analysis of the Corporation;
 - (ii) any proposed document, including without limitation any amendment to a Transaction Agreements, or new annual information form, business acquisition report, material change report, interim report, or information circular; and

(iii) any press release of the Corporation;

subject in all cases to the Corporation's filing timelines imposed by Applicable Securities Laws and the Corporation's obligation to make timely disclosure of material information under Applicable Securities Laws.

- (c) During the period commencing on the date hereof to the Closing Time, the Corporation will promptly advise the Agents: (i) of any amendment or proposed amendment to the Acquisition Agreement or waiver or proposed waiver of any term, provision or condition thereof and shall not materially amend the Acquisition Agreement or waive any material term, provision or condition thereof without the prior approval of the Agents, acting reasonably; (ii) if it becomes aware that any of the representations and warranties of any parties to the Acquisition Agreement cease to be true and correct in any material respects or if the Corporation becomes aware that there is any change of any material fact or event which is, or may become of such a nature as to, render any such representations and warranties, or any information provided to the Agents in respect of the Acquisition, untrue, false or misleading in any material respects; and (iii) if the Acquisition Agreement is terminated, or the Corporation determines it will not be proceeding with the Acquisition.
- (d) The Corporation will use its reasonable commercial efforts to expeditiously pursue the satisfaction of all conditions to the completion, and the closing of the Acquisition concurrent with the Closing Time.
- (e) The Corporation shall use its reasonable commercial efforts to obtain the approval of the Exchange to the listing of the Debenture Shares on the facilities of the Exchange as soon as practicable following the Closing Date, subject only to standard listing conditions.

6. Representations and Warranties of the Corporation

The Corporation represents and warrants to the Agents, acknowledges that the Subscribers may, pursuant to the Subscription Agreements, rely on such representations and warranties and acknowledges that each of them is relying upon such representations and warranties in connection with the completion of the Offering, that:

- (a) the Corporation is a corporation duly amalgamated and validly subsisting under the CBCA, and has the requisite power and authority to carry on its business as it is now being conducted and as described in the Disclosure Record;
- (b) each of the Southern Subsidiaries have been duly incorporated, formed or organized, as applicable, and are validly subsisting under the laws of the jurisdiction in which they were incorporated, formed or organized, as the case may be, and have the requisite power and authority to carry on their business as now being conducted and as described in the Disclosure Record;
- (c) the Corporation and each of the Southern Subsidiaries are duly registered to do business and are in good standing in each jurisdiction in which the character of their respective properties, owned or leased, or the nature of their activities make such registration necessary, except where the failure to be so registered or in good standing would not

have a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole);

- (d) other than the Southern Subsidiaries, the Corporation has no subsidiaries, is not "affiliated" with or a "holding body corporate" of any other body corporate (within the meaning of the CBCA), is not a partner of any partnerships or limited partnerships, and has no material shareholdings in any other corporation or business organization;
- (e) the Corporation and each of the Southern Subsidiaries have conducted and are conducting and will conduct their business in compliance in all respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to them of each jurisdiction in which they respectively carry on business and hold all licences, registrations and qualifications in all jurisdictions in which they respectively carry on business as now conducted which are necessary or desirable to carry on the business of the Corporation and each of the Southern Subsidiaries as now conducted and as contemplated to be conducted in the Disclosure Record (except where the failure to so conduct its business or to hold such licences, registrations or qualifications would not, individually or in the aggregate, have a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole) or the Corporation's and the Southern Subsidiaries' properties or assets (taken as a whole)), all such licences, registrations or qualifications are valid and existing and in good standing (except where the lack of such valid or existing license would not have any material adverse effect) and none of such licences, registrations or qualifications contain any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole) as now conducted or as proposed to be conducted, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation or any of the Southern Subsidiaries will be unable to comply with without a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole);
- (f) the minute books of the Corporation and of each of the Southern Subsidiaries, contain true and correct copies of all constating documents of the Corporation and each of the Southern Subsidiaries and contain copies of all minutes of all meetings and all resolutions of the directors, committees of directors, members and shareholders of the Corporation and the Southern Subsidiaries (some of which are in draft form), and all such meetings were duly called and properly held and all consent resolutions were properly adopted;
- (g) the books of account and other records of the Corporation and each of the Southern Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;
- (h) the Corporation and each of the Southern Subsidiaries have duly and on a timely basis, filed all tax returns required to be filed by them, have paid all taxes due and payable by them and have paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by them and which were claimed by any governmental authority to be due and owing and adequate

provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required (except where the failure to so file or pay does not have and will not have a material adverse effect on the Corporation or the Southern Subsidiaries) and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or the Southern Subsidiaries and to the best of the knowledge, information and belief of the Corporation there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or the Southern Subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority. The Corporation and each of the Southern Subsidiaries have duly and timely withheld from any amount paid or credited by them to or for the account or benefit of any person, including any employee, officer, director, or non-resident person, the amount of all taxes and other deductions required by applicable law to be withheld and have duly and timely remitted the withheld amount to the appropriate taxing or other authority and have duly and timely issued tax reporting slips or returns in respect of any amount so paid or credited by them as required by applicable law;

- (i) all filings made by the Corporation and each of the Southern Subsidiaries under which the Corporation and each of the Southern Subsidiaries has received or are entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any material amount previously paid to the Corporation or any of the Southern Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;
- (j) except to the extent that any violation or other matter referred to in this subsection does not have a material adverse effect on the business, financial condition, assets, properties, liabilities or operations of the Corporation and the Southern Subsidiaries (taken as a whole):
 - (i) neither the Corporation nor any of the Southern Subsidiaries are in violation of any applicable federal, provincial, state, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, “**Environmental Laws**”);
 - (ii) the Corporation and each of the Southern Subsidiaries have operated their business at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or any of the Southern Subsidiaries that have not been remedied or that are not presently being remedied;

- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or any of the Southern Subsidiaries;
 - (v) neither the Corporation nor any of the Southern Subsidiaries have failed to report to the proper federal, provincial, state, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law; and
 - (vi) the Corporation and each of the Southern Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their business as presently conducted and the ownership and use of their assets, all such licences, permits and approvals are in full force and effect, and except for (1) notifications and conditions of general application to assets of the type owned by the Corporation and each of the Southern Subsidiaries, and (2) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta) or equivalent legislation in other provinces or in the States of Mississippi, Alabama or Louisiana, neither the Corporation nor any of the Southern Subsidiaries have received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by them as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
- (k) any and all operations of the Corporation and each of the Southern Subsidiaries have been conducted in accordance with good Canadian oil and gas industry practices, or good oil and gas industry practices in the jurisdictions in which they operate, and in material compliance with applicable laws, rules, regulations, orders and directions of governmental and other competent authorities, except where the failure to so operate would not have a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole) or the Corporation's ability to complete the Acquisition;
- (l) except for: (a) final acceptance of the listing of the Debentures and the Debenture Shares; and (b) the payment of fees and filing of forms with certain of the Securities Commissions following the Closing Time, no consent, approval, permit, authorization, order or filing with any court or governmental agency, the securities authorities or any other jurisdiction or agency is required by the Corporation or necessary for the execution, delivery and the performance by the Corporation of its obligations under this Agreement, other than such consents, approvals, authorizations, registrations or qualifications as may be required under Applicable Securities Laws or by the Exchange, all of which will be obtained by the Corporation prior to the Closing Time;
- (m) the Corporation has the necessary corporate capacity, power and authority to enter into each of the Transaction Agreements, as applicable, and to perform its obligations set out therein (including, without limitation, to complete the Acquisition, and to issue the Debentures), and the Acquisition Agreement is, and this Agreement, the Debenture

Indenture and Subscription Agreements will be, on the Closing Date, duly authorized, executed and delivered by the Corporation and the Acquisition Agreement is, and this Agreement, the Debenture Indenture and Subscription Agreements will be, on the Closing Date, legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms, except that the validity, binding effect and enforceability of the terms of agreements and documents are subject to the qualification that such validity, binding effect and enforceability may be limited by: (i) applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally; (ii) equitable remedies, including the remedies of specific performance and injunctive relief, being available only in the discretion of the applicable court; (iii) the statutory and inherent powers of a court to grant relief from forfeiture, to stay execution of proceedings before it and to stay executions on judgements; (iv) the applicable laws regarding limitations of actions; (v) enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court; (vi) enforceability of the provisions exculpating a party from liability or duty otherwise owed by it may be limited under applicable law; and (vii) that rights to indemnity, contribution and waiver under the documents may be limited or unavailable under applicable law;

- (n) no action, approval, consent or vote on the part of the shareholders of the Corporation is or shall be necessary to consummate the transactions contemplated by any of the Transaction Agreements;
- (o) the Corporation has full corporate capacity, power and authority to issue the Offered Debentures, the Debenture Shares and the Agents' Fee Debentures and, at the Closing Time, the Offered Debentures, the Debenture Shares and the Agents' Fee Debentures will be duly and validly authorized, allotted and reserved for issuance, and, upon receipt of the purchase price therefor, the Offered Debentures will be duly and validly issued, upon the issuance of the Debenture Shares in accordance with the terms of the Debentures, such Debenture Shares will be duly and validly issued as fully paid and non-assessable Common Shares;
- (p) the Corporation is not in default under or breach of, and the execution and delivery of, and the performance of and compliance with the terms of the Transaction Agreements by the Corporation or any of the transactions contemplated thereby, does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach, of or constitute a default under: (i) any term or provision of the articles, by-laws or constating documents of the Corporation; (ii) any resolutions of shareholders or directors (or any committee thereof) of the Corporation; (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or any of the Southern Subsidiaries is a party or by which any of them are bound; or (iv) any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation or any of the Southern Subsidiaries or any of their properties or assets, which default or breach might reasonably be expected to have a material adverse effect on the Corporation or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in any of the Transaction Agreements;

- (q) the Corporation Financial Statements fairly present in accordance with IFRS, consistently applied, the financial position and condition of the Corporation at the dates thereof and the results of the operations of the Corporation for the periods then ended and reflect in accordance with IFRS, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof;
- (r) the Gulf Pine Energy Partners, LP ("**Gulf Pine**") financial statements for the period ended September 30, 2018 and year ended December 31, 2017 fairly present in accordance with IFRS, consistently applied, the financial position and condition of Gulf Pine at the dates thereof and the results of the operations of Gulf Pine for the periods then ended and reflect in accordance with IFRS, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Gulf Pine as at the dates thereof;
- (s) the Gulf Pine financial statements for the years ended December 31, 2017 and 2016 fairly present in accordance with U.S. GAAP, consistently applied, the financial position and condition of Gulf Pine at the dates thereof and the results of the operations of Gulf Pine for the periods then ended and reflect in accordance with U.S. GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Gulf Pine as at the dates thereof;
- (t) subject to applicable laws, neither the Corporation nor any of the Southern Subsidiaries is currently prohibited, directly or indirectly, from paying dividends, from making distributions on their securities, or from paying any interest or repaying any of their loans, advances or other indebtedness;
- (u) neither the Corporation nor the Southern Subsidiaries have any liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, which are not disclosed or referred to in the Corporation Financial Statements, or referred to or disclosed in the Disclosure Record, other than liabilities, obligations, or indebtedness or commitments: (i) incurred in the normal course of business; or (ii) which would not have a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole);
- (v) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation and the Southern Subsidiaries (taken as a whole) from the position set forth in the Disclosure Record, and there has not been any adverse material change in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and the Southern Subsidiaries (taken as a whole) since December 31, 2018 except as disclosed in the Disclosure Record; and since that date there have been no material facts, transactions, events or occurrences which could materially adversely affect the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and the Southern Subsidiaries (taken as a whole) which have not been disclosed in the Disclosure Record;

- (w) based upon representations made by the Corporation's auditors, Deloitte LLP are independent chartered accountants with respect to the Corporation as required by Canadian Securities Laws;
- (x) there has not been any reportable disagreement (within the meaning of Section 4.11 of National Instrument 51-102 of the Canadian Securities Administrators) with the Corporation's auditors and the Corporation has no current intention to change auditors;
- (y) the Corporation maintains a system of internal accounting controls that are designed to provide reasonable assurance that transactions are recorded as necessary to facilitate preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets;
- (z) the Corporation and each of the Southern Subsidiaries have their properties and assets insured against loss or damage by insurable hazards or risks on a replacement cost basis. Such insurance coverage is of a type and in an amount typical to the business in which the Corporation and each of the Southern Subsidiaries operates as conducted by a reasonably prudent person based on the advice of reputable insurance brokers consulted by such person. In the last twelve months neither the Corporation nor any of the Southern Subsidiaries have made any material claim on any policy of insurance or been refused any insurance coverage sought or applied for. The Corporation does not have any reason to believe that it will not be able to renew the existing insurance coverage of the Corporation and the Southern Subsidiaries as and when such coverage expires or obtain similar coverage from similar insurers as may be necessary to continue with its businesses as presently conducted at a cost that would not have a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole);
- (aa) neither the Corporation nor the Southern Subsidiaries are in default or breach of any real property lease, and neither the Corporation nor the Southern Subsidiaries have received any notice or other communication from the owner or manager of any real property subject to such real property lease that the Corporation or any Southern Subsidiaries are not in compliance with any such real property lease, and to the knowledge of the Corporation, no such notice or other communication is pending or has been threatened, except in each case where such default, breach or non-compliance would not have a material adverse effect on the Corporation and the Southern Subsidiaries (taken as a whole);
- (bb) all material bonuses, commissions, salaries and other amounts owing to employees are reflected and have been accrued in the books of account of the Corporation;
- (cc) other than pursuant to this Agreement and the Acquisition Agreement, neither the Corporation nor the Southern Subsidiaries are a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation and each of the Southern Subsidiaries and applicable laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business, including operating and similar agreements, indemnification and contribution provisions in agency and underwriting agreements, asset purchase and sale agreements, transfer agency agreements and credit borrowing

agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;

- (dd) the Corporation does not have any loans or other indebtedness which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation that are currently outstanding;
- (ee) other than as disclosed in the Disclosure Record, there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation or any of the Southern Subsidiaries at law or in equity or before or by any federal, state, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may reasonably be expected to materially adversely affect, the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and the Southern Subsidiaries (taken as a whole), or their properties or assets (taken as a whole) or which affects or may affect the distribution of the Offered Debentures or the Debenture Shares or which would impair the ability of the Corporation to consummate the other transactions contemplated by the Transaction Agreements, or to duly observe and perform any of its covenants or obligations contained in this Agreement or the Acquisition Agreement, and to be contained in the Subscription Agreements and Debenture Indenture, and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;
- (ff) the information and statements set forth in the Disclosure Record, as such relates to the business, operations, results of operations, affairs, assets, capitalization, financial condition, rights or liabilities of the Corporation, were true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statement, and the Corporation has not filed any confidential material change report still maintained on a confidential basis;
- (gg) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, of which only 223,770,279 Common Shares and nil preferred shares are currently issued and outstanding, all of which shares are validly issued, fully paid and non-assessable;
- (hh) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except up to 86,880,000 Common Shares issuable pursuant to 57,920,000 performance Common Share purchase warrants granted by the Corporation pursuant to its private placement which closed December 18, 2018 and exercisable at a price of \$0.10 per performance Common Share purchase warrant;
- (ii) other than as disclosed in the Disclosure Record, none of the directors, officers or employees of the Corporation, or any person who owns, directly or indirectly, more than

10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation;

- (jj) Computershare Trust Company of Canada, at its principal offices in the city of Calgary, Alberta has been duly appointed registrar and transfer agent of the Common Shares;
- (kk) Computershare Trust Company of Canada will, on the Closing Date, be the duly appointed transfer agent of the Offered Debentures and trustee under the Debenture Indenture;
- (ll) no Securities Commission, other securities commission or similar regulatory authority, the Exchange or other exchange in Canada or the United States has issued any order which is currently outstanding, preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Laws;
- (mm) the issued and outstanding Common Shares are listed and posted for trading on the Exchange, and the Offered Debentures and the Debenture Shares will be listed and posted for trading on the Exchange upon the Corporation complying with the usual conditions imposed by the Exchange with respect thereto, and the Corporation is in compliance in all material respects with the by-laws, rules and regulations of the Exchange;
- (nn) as at the date hereof, the Corporation is a reporting issuer in British Columbia and Alberta, and is not currently in material default of any requirement of Canadian Securities Laws of such jurisdictions and the Corporation is not included on a list of defaulting reporting issuers maintained by any of the Securities Commissions of such jurisdictions;
- (oo) to the knowledge of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation;
- (pp) other than as provided for in this Agreement or as disclosed in the Disclosure Record, the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, underwriter's or agent's commission or other similar forms of compensation with respect to the transactions contemplated hereby;
- (qq) the definitive form of certificates for the Common Shares have been, and the definitive form of certificates for the Offered Debentures will be, on the Closing Date, duly approved and adopted by the Corporation and comply with all legal requirements of the CBCA and the Exchange relating thereto;
- (rr) the Corporation had made available to NSAI, prior to the issuance of the Southern Reserves Report, for the purpose of preparing the Southern Reserves Report, all information requested by NSAI, which information did not contain any misrepresentation at the time such information was provided. Except with respect to changes in commodity prices and royalties and as otherwise disclosed in the Documents, there has not occurred

any material adverse change in any production, cost, reserves or other relevant information provided to NSAI since the dates that such information was so provided. The Corporation believes that the Southern Reserves Report reasonably presents the quantity and pre-tax present worth values on an aggregate basis of the oil and gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at December 31, 2018 based upon information available at the time the Southern Reserves Report was prepared, and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to changes in commodity prices and production since the date of such report does not) materially overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

- (ss) the Corporation believes that the Acquisition Reserves Report reasonably presents the quantity and pre-tax present worth values on an aggregate basis of the oil and gas reserves attributable to the crude oil, natural gas liquids and natural gas properties as at January 31, 2019 based upon information available at the time the Acquisition Reserves Report was prepared, and the Corporation believes that at the date of such report it did not, and as of the date hereof, except as may be attributable to changes in commodity prices and production since the date of such report does not, materially overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;
- (tt) the properties and assets of the Corporation and the Southern Subsidiaries are and, to the knowledge, information and belief of the Corporation, at the closing date of the Acquisition, the Mississippi Assets will be, free and clear of all mortgages, pledges, liens, charges and encumbrances other than those encumbrances that are standard in the oil and gas industry, encumbrances pursuant to the Credit Facility, or which do not and will not have a material adverse effect on the ownership or operation of such assets and properties (“**Permitted Encumbrances**”) and, other than Permitted Encumbrances, neither the Corporation nor any of the Southern Subsidiaries have done any act or suffered or permitted any action to be done whereby any person has acquired or may acquire an interest in or to the material properties and assets of the Corporation or the Southern Subsidiaries (taken as a whole), nor have they done any act, omitted to do any act or permitted any act to be done that may adversely affect or defeat its title to any of their material properties or assets;
- (uu) although it does not warrant title, the Corporation does not have reason to believe that the Corporation and each of the Southern Subsidiaries do not have title to or the right to produce and sell their petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the “**Interest**”) and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation and the Southern Subsidiaries (taken as a whole) and except for those arising in the ordinary course of business, and that, to its knowledge, the Corporation and each of the Southern Subsidiaries hold their respective Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold their respective Interest would not have a material adverse effect on the Corporation and the Southern Subsidiaries or their properties or assets (taken as a whole);

- (vv) although it does not warrant title, the Corporation does not have reason to believe that Roundtree does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the “**Roundtree Interest**”) and does represent and warrant that, to the Corporation's knowledge, the Roundtree Interest is free and clear of adverse claims created by, through or under the Roundtree and except for those arising in the ordinary course of business, and that, to the Corporation's knowledge, Roundtree holds the Roundtree Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold the Roundtree Interest would not have a material adverse effect on the Mississippi Assets;
- (ww) to the best of the Corporation's knowledge, information and belief, there are no defects, failures or impairments in the title of the Corporation and the Southern Subsidiaries to their respective oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on items (A), (B) and (C) set forth immediately below and the Corporation is not aware of any pending or threatened action, suit, proceeding or inquiry which, in aggregate, could have a material adverse effect on: (A) the quantity of and pre-tax present value of estimated future net revenue from the oil and natural gas reserves of the Corporation as shown in the NSAI Reserves Report; (B) the current production of the Corporation and the Southern Subsidiaries (taken as a whole); or (C) the current cash flow of the Corporation and the Southern Subsidiaries (taken as a whole);
- (xx) to the best of the Corporation's knowledge, information and belief, there are no defects, failures or impairments in the title of Roundtree to any of its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (A) the quantity of and pre-tax present value of estimated future net revenue from the oil and natural gas reserves of Roundtree as shown in the Acquisition Reserves Report; (B) the current production attributable to the Mississippi Assets; or (C) the current cash flow attributable to the Mississippi Assets;
- (yy) there are no transportation, processing or marketing agreements to which the Corporation or any of the Southern Subsidiaries is a party, except for agreements terminable by the Corporation or the Southern Subsidiaries, as applicable, without bonus, penalty or other costs on not more than 31 days' notice;
- (zz) the description of the wells, facilities and lands of the Corporation and the Southern Subsidiaries that has been disclosed in writing to the Agents prior to the date hereof, sets out a materially complete and accurate description of the assets of the Corporation, the Southern Subsidiaries and of the Mississippi Assets;
- (aaa) no royalty or joint venture audits have been demanded or are underway pursuant to any of the applicable title and operating documents in respect of any of the Corporation's or the Southern Subsidiaries' assets, or, to the best of the Corporation's knowledge, information and belief, the Mississippi Assets;

- (bbb) neither the Corporation nor any of the Southern Subsidiaries, or to the best of the Corporation's knowledge, information and belief, Roundtree, has received any written notices pertaining to any of the Corporation's or the Southern Subsidiaries' assets in respect of, and to its knowledge, none of the assets of the Corporation or the Southern Subsidiaries, or the Mississippi Assets, are subject to, any offset obligations (including obligations to drill wells, surrender rights or pay compensatory royalty) which have not been satisfied;
- (ccc) there is no order, agreement, commitment or understanding, written or oral, binding upon the Corporation, the Southern Subsidiaries or upon any director, officer or employee of such person, that would now or hereafter, in any way, limit the business or operations of the Corporation and any of the Southern Subsidiaries, taken as a whole, in any material respect, including any order, agreement, commitment or understanding that includes a non-competition restriction, area of mutual interest, right of first refusal, right of first offer, exclusivity or other similar provision that has or would reasonably be expected to have the effect of prohibiting, restricting or impairing the Acquisition or any business practices of the Corporation and any of the Southern Subsidiaries, taken as a whole, in any material respect;
- (ddd) neither the Corporation, nor any of the Southern Subsidiaries, has received notice of (nor is it aware of) any default in respect of any of the assets of the Corporation or the Southern Subsidiaries or under any title or operating documents or any other agreement or instrument pertaining to its oil and natural gas assets to which it is a party or by which it or any such assets are bound or subject;
- (eee) none of the wells in which the Corporation and the Southern Subsidiaries holds an interest, or proposes to hold an interest, is being produced in excess of applicable production allowables imposed by any applicable law or any governmental authority and the Corporation does not have any knowledge of any impending change in production allowables imposed by any applicable law or any governmental authority that may be applicable to any of the wells in which any of them holds an interest, other than changes of general application in the jurisdiction in which such wells are situate;
- (fff) to the best of the knowledge, information and belief of the Corporation, all wells located on any lands in which the Corporation or any of the Southern Subsidiaries has an interest or proposes to have an interest, or lands with which such lands have been pooled or unitized, which have been abandoned have been abandoned in all material respects in accordance with the applicable laws regarding the abandonment of wells in the jurisdiction in which such wells were situate;
- (ggg) the tangible depreciable property used or comprising part of the Corporation's of the Southern Subsidiaries' assets is not subject to any sale-leaseback arrangements and is not leased or rented;
- (hhh) the representations and warranties of the Corporation in the Acquisition Agreement, a true copy of which has been provided to the Agents, are true and correct as of the date hereof, except as such would not have a material adverse effect on the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or

otherwise), condition (financial or otherwise) or results of operations of the Corporation and the Southern Subsidiaries (taken as a whole);

- (iii) the Corporation has no reason to believe that the representations and warranties of Roundtree in the Acquisition are not true and correct as of the date hereof or that Roundtree is in breach of any of its covenants in the Acquisition Agreement, except such as would not have a material adverse effect on the Mississippi Assets or the Corporation and the Southern Subsidiaries (taken as a whole), or on the ability of Roundtree or the Corporation to complete the Acquisition;
- (jjj) in the course of the due diligence review conducted by the Corporation in respect of the Acquisition, no matter has arisen from such review which constitutes, or could reasonably be expected to constitute, a material adverse effect or a material adverse effect on the operations, condition (financial or otherwise), assets, liabilities (contingent or otherwise), or cash flow relating to the Assets, or constitutes a basis or reason for the Corporation not to complete the Acquisition, and the Corporation believes such review is in scope consistent with sound industry practice and transactions of a similar nature and value;
- (kkk) the Corporation is not aware of any material differences in the information provided to the Corporation by Roundtree to the representations and warranties of Roundtree in the Acquisition Agreement except as would not be expected to have a material adverse effect on the Mississippi Assets or on the ability of the Corporation or Roundtree to complete the Acquisition;
- (lll) to the best of the knowledge, information and belief of the Corporation, no event has occurred or condition exists which will prevent the Acquisition from being completed concurrent with the Closing Time;
- (mmm) to the knowledge of the Corporation, none of its directors or officers are subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;
- (nnn) except for such matters as would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Corporation or any of the Southern Subsidiaries: (i) the Corporation and the Southern Subsidiaries are in compliance with the provisions of all applicable federal, provincial, state, local and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours (collectively, "**Employment Laws**"); (ii) no collective labour dispute, grievance, arbitration or legal proceeding is ongoing or, to the knowledge of the Corporation, pending or threatened, and no individual labour dispute, grievance, arbitration or legal proceeding is ongoing or, to the knowledge of the Corporation, pending or threatened, with any employee of the Corporation or the Southern Subsidiaries and, to the knowledge of the Corporation, none has occurred during the past year; and (iii) no union has been accredited or otherwise designated to represent any employees of the Corporation or the Southern Subsidiaries and, to the knowledge of the Corporation, no accreditation request or other representation question is pending with respect to the employees of the

Corporation or the Southern Subsidiaries and no collective agreement or collective bargaining agreement or modification thereof has expired or is in effect in any of the facilities of the Corporation or the Southern Subsidiaries and none is currently being negotiated by the Corporation or the Southern Subsidiaries;

- (ooo) neither the Corporation nor the Southern Subsidiaries nor, to the knowledge of the Corporation, any officer, director, employee or agent of the Corporation or the Southern Subsidiaries has, directly or indirectly: (i) paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any broker, finder, agent, client representative, employee, political party or campaign, government official or other Person, which any officer, director, employee or agent of any the Corporation or of the Southern Subsidiaries knew or had reason to believe, or ought to have known, was in violation of the *Corruption of Foreign Public Officials Act* (Canada), the *United States Foreign Corrupt Practices Act* of 1977, as amended, any applicable law implementing the provisions of the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), or the *United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act*; or (ii) made or received a bribe, rebate, payoff, influence payment, kickback or other unlawful payment;
- (ppp) other than as disclosed in the Disclosure Record, the Corporation is not a party to any contracts of employment which may not be terminated on three months' notice or which provide for payments occurring on a change of control of the Corporation;
- (qqq) other than the Transaction Agreements and the Corporation's existing credit facility as disclosed in the Disclosure Record, there are no material contracts or agreements to which the Corporation or the Southern Subsidiaries are a party or by which they are bound or which are required by the Corporation or the Southern Subsidiaries to carry on their business as now conducted by them and presently proposed to be conducted by them, and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation or the Southern Subsidiaries enforceable in accordance with their respective terms and, to the knowledge of the Corporation, no party thereto is in default thereunder, which default may have a material adverse effect on the Corporation, the Southern Subsidiaries or their properties and assets (taken as a whole). For the purposes of this subsection, any contract or agreement pursuant to which the Corporation or the Southern Subsidiaries will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$500,000, in either case in the next 12 months, or is out of the ordinary course of business of the Corporation or the Southern Subsidiaries, shall be considered to be material;
- (rrr) other than as disclosed in the Disclosure Record, the Corporation is not a party to any Swaps or arrangements for Swaps;
- (sss) the Corporation is not a party to any shareholder rights plan or any other similar form of plan, agreement, contract or instrument that shall trigger any rights to acquire Common Shares or other securities of the Corporation;

- (ttt) neither the Corporation nor, to its knowledge, any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of the Corporation; and
- (uuu) the Due Diligence Responses, where they relate to matters of fact, will be true and correct in all material respects as at the time such responses are given and, to the knowledge of the Corporation, such responses taken as a whole shall not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such responses were given, and the Corporation and its directors and officers will have responded in a thorough and complete fashion. Where the Due Diligence Responses reflect the opinion or view of the Corporation or its directors or officers (including Due Diligence Responses or portions of Due Diligence Responses which are forward-looking or otherwise related to projections, forecasts or estimates of future performance or results (operating, financial or otherwise)) ("**Forward-Looking Statements**"), such opinions or views are subject to the qualifications and provisions set forth in the Due Diligence Responses and will be honestly held and believed to be reasonable at the time they are given provided, however, it shall not constitute a breach of this paragraph solely if the actual results vary or differ from those contained in Forward-Looking Statements.

7. Representations, Warranties and Covenants of the Agents

Each of the Agents hereby severally represent, warrant and covenant to the Corporation, and acknowledge that the Corporation is relying upon such representations, warranties and covenants, that it:

- (a) will use its "best efforts" to arrange for Subscribers in the Selling Jurisdictions;
- (b) shall, and shall require any investment dealer or broker with which such Agent has a contractual relationship in respect of the distribution of the Debentures (each, a "**Selling Firm**") to agree to, comply with Applicable Securities Laws in connection with the distribution of the Debentures;
- (c) shall, and shall require any Selling Firm to agree to, distribute the Debentures in a manner which complies with and observes all applicable laws in each jurisdiction into and from which they may offer to sell the Debentures and will not, directly or indirectly, offer, sell or deliver any Debentures to any person in any jurisdiction other than in the Selling Jurisdictions except in a manner which will not require the Corporation to comply with the registration, prospectus, filing, continuous disclosure or other similar requirements under the applicable Laws of such other jurisdictions, obligate the Corporation to establish or maintain any office or director or officer in such jurisdiction, or pay any unreasonable filing fees which relate to such other jurisdictions. Subject to the foregoing, the Agents and any Selling Firm shall be entitled to offer and sell the Debentures solely pursuant to an applicable exemption or exemptions from the registration and prospectus requirements of any other jurisdictions (other than the United States) in accordance with any applicable laws in the jurisdictions in which the Agents and/or Selling Firms offer the Debentures;
- (d) will use best efforts to obtain from each Subscriber a duly completed and executed Subscription Agreement and other forms required under Applicable Securities Laws and

the Agents shall at least two Business Days prior to the applicable Closing Date, provide the Corporation with copies of such Subscription Agreements and complete registration instructions in respect of the Debentures;

- (e) shall supply the Corporation with such information respecting the Subscribers as the Corporation may require to comply with the Corporation's obligations under Applicable Securities Laws to report on the sales made pursuant to the Offering and respond to any requests of any Securities Commission in connection with any investigation or inquiry by such authority; and
- (f) will not advertise the Offering or sale of the Offered Debentures in printed media of general and regular paid circulation, radio or television nor provide or make available to prospective purchasers of Offered Debentures any document or material which would constitute an offering memorandum as defined under Applicable Securities Laws.

8. Indemnity

- (a) The Corporation shall indemnify and save each of the Agents and their respective affiliates, and each of their respective agents, directors, officers, partners, principals, shareholders and employees (collectively, the "**Indemnified Persons**" and individually, an "**Indemnified Person**"), harmless against and from all liabilities, claims, demands, losses (other than losses of profit), costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses to which an Indemnified Person may be subject or which an Indemnified Person may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of:
 - (i) any information or statement contained in any part of the Disclosure Record or in any other document or material filed or delivered by or on behalf of the Corporation pursuant hereto which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;
 - (ii) any misrepresentation or alleged misrepresentation contained in any part of the Disclosure Record or in any other document or material filed by or delivered by or on behalf of the Corporation;
 - (iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Debentures or the Debenture Shares (not based solely upon the activities or alleged activities of the Agents or the Selling Dealer Group, if any) imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in subsection (ii)8(a)(ii);
 - (iv) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the Exchange or any representation, warranty, term or condition of this

Agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto; or

- (v) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities (not based solely upon the activities or alleged activities of any of the Agents (or the Selling Dealer Group, if any) prohibiting, restricting, relating to or materially affecting the trading or distribution of the Offered Debentures or Debentures Shares;

provided, however, no party who has engaged in any fraud, wilful misconduct or gross negligence, as determined by a court of competent jurisdiction in a final judgment that has become non-appealable, shall be entitled, to the extent that the liabilities, claims, demands, losses, costs, damages and expenses were directly caused by such activity, to indemnification from any person who has not engaged in such fraud, wilful misconduct or gross negligence (provided that for greater certainty, the foregoing shall not disentitle an Agent from claiming indemnification hereunder to the extent that the gross negligence, if any, relates to the Agents failure to conduct adequate "due diligence"), and in such case the indemnity provided for in this section shall cease to apply and the Indemnified Person shall promptly reimburse the Corporation for any funds advanced to the Indemnified Person in respect of such liabilities, claims, demands, losses, costs, damages or expenses.

- (b) If any claim contemplated by subsection 8(a) shall be asserted against any Indemnified Person in respect of which indemnification is or might reasonably be considered to be provided for in such subsection, such Indemnified Person shall notify the Corporation as soon as possible of the nature of such claim (provided that failure to so notify the Corporation of the nature of such claim in a timely fashion shall relieve the Corporation of liability hereunder only if and to the extent that such failure materially prejudices the Corporation's ability to defend such claim) and the Corporation shall be entitled (but not required) to assume the defense of any suit brought to enforce such claim; provided however, that the defense shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no admission of liability or settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by subsection 8(a) if:
 - (i) the Indemnified Person has been advised by counsel that representation of the Indemnified Person and the Corporation by the same counsel would be inappropriate due to the actual or potential differing interests between them, including without limitation where there may be a reasonable legal defense available to the Indemnified Person which is different from or additional to a defense available to the Corporation;
 - (ii) the Corporation shall not have taken the defense of such proceedings and employed counsel within ten (10) days after notice has been given to the Corporation of commencement of such proceedings; or

- (iii) the employment of such counsel has been authorized by the Corporation in connection with the defense of such proceedings,

and, in any such case, the Corporation shall not have the right to assume the defense of such proceedings on the Indemnified Person's behalf, and, in any such case, the reasonable fees and expenses of such Indemnified Person's counsel (on a solicitor and his client basis) shall be paid by the Corporation, provided that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate law firm (in addition to any local counsel) for all such Indemnified Persons.

- (c) The Corporation hereby waives its rights to recover contribution from the Agents with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Disclosure Record; provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of any misrepresentation which is based upon information relating solely to the Agents contained in such document and furnished to the Corporation by the Agents expressly for inclusion in the Corporation's public disclosure.
- (d) If any legal proceedings shall be instituted against the Corporation in respect of the Disclosure Record or the Offered Debentures or Debenture Shares or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation in respect of the Disclosure Record or the Offered Debentures or Debenture Shares and, in either case, any Indemnified Person is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Agents hereunder, the Indemnified Person may employ its own legal counsel and the Corporation shall pay and reimburse the Indemnified Person for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Person in connection with such proceedings or investigation and a fee at the normal per diem rate for any director, officer or employee of the Agents involved in the preparation for or attendance at such proceedings or investigation.
- (e) The rights and remedies of the Indemnified Persons set forth in sections 8, 9 and 10 (in the case of the Agents) hereof are to the fullest extent possible in law, cumulative and not alternative and the election by any Agent or other Indemnified Person to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any other rights and remedies.
- (f) The Corporation hereby acknowledges that the Agents are acting as agents for the Indemnified Persons other than the Agents under this section 8, and under section 9 with respect to all such Indemnified Persons other than the Agents.
- (g) The Corporation waives any right it may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or claim or to claim payment from any other person before claiming under this indemnity. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.

- (h) If the Corporation has assumed the defense of any suit brought to enforce a claim hereunder, the Indemnified Person shall provide the Corporation copies of all documents and information in its possession pertaining to the claim, take all reasonable actions necessary to preserve its rights to object to or defend against the claim, consult and reasonably cooperate with the Corporation in determining whether the claim and any legal proceeding resulting therefrom should be resisted, compromised or settled and reasonably cooperate and assist in any negotiations to compromise or settle, or in any defense of, a claim undertaken by the Corporation.

9. Contribution

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is, for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit), costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses (or claims, actions, suits or proceedings in respect thereof) to which they may be subject or which they may suffer or incur:

- (a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand, and by the Agents on the other hand, from the offering of the Offered Debentures; or
- (b) if the allocation provided by subsection 9(a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in subsection 9(a) above but also to reflect the relative fault of the Agents on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Agents, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the Offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Agents. In the case of liability arising out of the Offering, the relative fault of the Corporation, on the one hand, and the Agents, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 8 relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of the Corporation or the Agents and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 8.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) whether or not resulting in any action, suit, proceeding or claim.

Each of the Corporation and the Agents agree that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding sections. The rights to contribution provided in this section 9 shall be in addition to, and without prejudice to, any other right to contribution which the Agents or other Indemnified Persons may have.

The Corporation shall, in any event, contribute to the amount of aggregate liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) paid or payable by an Agent under this section 9, that proportion of such amount which exceeds the Agents' Fee actually received by such Agent.

10. Expenses

Whether or not the transactions contemplated herein shall be completed, all costs and expenses (including applicable GST and HST) of or incidental to the transactions contemplated hereby including, without limitation, those relating to the distribution of the Offered Debentures, shall be borne by the Corporation including, without limitation, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation or the Corporation's counsel, the fees and expenses of the Corporation's transfer agent, any auditors, engineers and other outside consultants, all stock exchange fees, and all other costs and expenses relating to this transaction including, without limitation, the legal fees of Agents' Counsel (subject to an aggregate maximum of \$110,000.00) and disbursements of Agents' Counsel (which disbursements may include the fees, disbursements and taxes of any local due diligence legal counsel of the Agents) together with applicable GST, and the reasonable out-of-pocket expenses of the Agents, and all taxes incurred by the Agents or their counsel, including GST (the "**Agents' Expenses**"). All fees and expenses incurred by the Agents which are reimbursable hereunder shall be payable by the Corporation immediately upon receiving an invoice therefor from the Agents.

11. Termination

- (a) In addition to any other rights or remedies available to the Agents, the Agents, or any of them, may, without liability, terminate their obligations hereunder, by written notice to the Corporation in the event that after the date hereof and at or prior to the Closing Time:
 - (i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Debentures or Common Shares is made, or proceedings are announced or commenced for the making of any such order, by any securities commission or similar regulatory authority, the Exchange or any other competent authority, and such order or proceeding has not been rescinded, revoked or withdrawn;
 - (ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of its directors or senior officers is announced, commenced or threatened by any securities commission or similar regulatory authority, the Exchange or any other competent authority or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the reasonable opinion of the Agents or any one of them, the change, announcement, commencement or threatening thereof materially adversely

affects the trading or distribution of the Offered Debentures, Common Shares or any other securities of the Corporation;

- (iii) any adverse change shall have occurred or any previously undisclosed adverse change shall be discovered, as determined by the Agents or any one of them in their sole discretion, acting reasonably, in the business, operations, capital, condition (financial or otherwise), or business prospects of the Corporation or its properties, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) which in the opinion of the Agents or any one of them, could reasonably be expected to have a material adverse effect on the market price or value or marketability of the Offered Debentures, Common Shares or any other securities of the Corporation;
 - (iv) there should develop, occur or come into effect or existence any event, action, state, condition of any nature (including without limitation, terrorism or accident) or financial occurrence of national or international consequence or any law or regulation which, in the sole opinion of the Agents or any one of them, acting reasonably, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets generally or the business, operations or affairs of the Corporation;
 - (v) the state of the national financial markets is such that, in the opinion of the Agents, the Offered Debentures cannot be profitably marketed;
 - (vi) the Agents shall become aware of any material information with respect to the Corporation or the Acquisition which had not been publicly disclosed or disclosed in writing to the Agents at or prior to the date hereof and which in the sole opinion of the Agents or any one of them, acting reasonably, could be expected to have a material adverse effect on the market price or value or the marketability of the Offered Debentures, Common Shares or any other securities of the Corporation;
or
 - (vii) the Corporation shall be in breach of, default under or non-compliance with any representation, warranty, covenant, term or condition of this Agreement, the Subscription Agreement, the Debenture Indenture or the Acquisition Agreement in any material respect.
- (b) The Agents, or any of them, may exercise any or all of the rights provided for in subsection 11(a) or section 12 notwithstanding any material change, change, event or state of facts and (except where the Agent purporting to exercise any of such rights is in breach of its obligations under this Agreement) notwithstanding any act or thing taken or done by the Agents or any inaction by the Agents, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Agents related to the offering or continued offering of the Offered Debentures for sale and the Agents shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to subsection 11(a) or section 12 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

- (c) Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation, with a copy to the other Agents, provided that no termination shall discharge or otherwise affect any obligation of the Corporation under sections 8, 9, 10 or 17. The rights of the Agents to terminate their obligations hereunder are in addition to, and without prejudice to, any other rights or remedies they may have.
- (d) If an Agent elects to terminate its obligation to purchase the Offered Debentures as aforesaid, whether the reason for such termination is within or beyond the control of the Corporation, the liability of the Corporation hereunder with respect to such Agent shall be limited to the indemnity referred to in section 8, the contribution rights referred to in section 9 and the payment of expenses referred to in section 10.

12. Closing Documents

Each Subscriber's obligation to purchase the Offered Debentures at the Closing Time shall be conditional upon all representations and warranties and other statements of the Corporation herein being, at and as of the Closing Time, true and correct in all material respects, the Corporation having performed in all material respects, at the Closing Time, all of its obligations hereunder theretofore to be performed and each of the following conditions:

- (a) the Agents receiving, at the applicable Closing Time a legal opinion dated the applicable Closing Date, to be addressed to the Agents, in form and substance acceptable to the Agents acting reasonably, of Stikeman Elliott LLP, counsel to the Corporation (who may rely, to the extent appropriate in the circumstances, on the opinions of local counsel acceptable to the Agents and may rely, to the extent appropriate in the circumstances, as to matters of fact, on certificates of officers, public and exchange officials or of the auditors of the Corporation), with respect to the following matters:
 - (i) the Corporation has been duly amalgamated and is validly subsisting and has all requisite corporate capacity, power and authority to carry on its business as now conducted by it and to own its properties and assets and is qualified to carry on business under the laws of each of the jurisdictions in which it carries on a material portion of its business;
 - (ii) the Corporation has the necessary corporate power and authority to enter into each of the Transaction Agreements and to perform its obligations set out therein, and each of the Transaction Agreements has been duly authorized, executed and delivered by the Corporation and each of the Transaction Agreements constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, except that the validity, binding effect and enforceability of the terms of agreements and documents are subject to the qualifications in section 6(m);
 - (iii) the execution and delivery of this Agreement and the performance of and compliance with the terms of the Transaction Agreements by the Corporation does not and will not result in a breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of, or constitute a default under: (a) any applicable laws of the Province of Alberta or the federal laws of Canada applicable therein; (b) any

term or provision of the articles, by-laws or other constating documents of the Corporation; or (c) of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over or binding the Corporation or the Southern Subsidiaries or their properties or assets;

- (iv) the Corporation is a “reporting issuer” in each of British Columbia and Alberta and is not included in a list of defaulting reporting issuers maintained pursuant to the applicable securities legislation of such provinces;
- (v) the Offered Debentures and Agents’ Fee Debentures have been duly and validly created, allotted and issued in accordance with the provisions of the Debenture Indenture;
- (vi) the Debenture Shares will, upon issuance in accordance with the terms of the Debenture Indenture, be issued as fully paid and non-assessable Common Shares;
- (vii) that the offering, sale and issuance of the Offered Debentures through the Agents to the Subscribers resident in the Selling Jurisdictions in accordance with the Subscription Agreements and the issuance of the Agents’ Fee Debentures to the Agents are exempt from the prospectus requirements of the Applicable Securities Laws, and the only filing, proceeding, approval, permit, consent or authorization required to be made, taken or obtained under the Applicable Securities Laws is the filing with the applicable provincial securities regulatory authorities within the prescribed time periods a report in Form 45-106F1, as prescribed by NI 45-106, prepared and executed in accordance with Applicable Securities Laws, together with the requisite filing fees;
- (viii) no filing, proceeding, approval, consent or authorization is required to be made, taken or obtained by the Corporation under Applicable Securities Laws to permit the issuance by the Corporation of the Debenture Shares in accordance with the Debenture Indenture;
- (ix) the first trade by a Subscriber of the Debentures or Debenture Shares and by an Agent of the Agents’ Fee Debentures or Debenture Shares will not be subject to the prospectus requirements of Applicable Securities Laws and no filing, proceeding, approval, consent or authorization under Applicable Securities Laws will be required to permit the trading of the Debentures, the Debenture Shares or Agents’ Fee Debentures, provided that:
 - (A) the Corporation is and has been a “reporting issuer” (within the meaning of Canadian Securities Laws) in a jurisdiction of Canada for the four months immediately preceding the trade;
 - (B) at least four months have elapsed from the distribution date of the Debentures;

- (C) the trade is not a “control distribution” as such term is defined in NI 45-102;
 - (D) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade (within the meaning of Applicable Securities Laws);
 - (E) no extraordinary commission or consideration is paid to a person or company in respect of the trade (within the meaning of Applicable Securities Laws); and
 - (F) if the selling security holder is an “insider” or “officer” of the Corporation (within the meaning of Applicable Securities Laws), such selling security holder has no reasonable grounds to believe that the Corporation is in default of “securities legislation”;
- (x) the Offered Debentures and Debenture Shares are "qualified investments" under the *Income Tax Act* (Canada);
 - (xi) the Exchange has conditionally accepted the Offering, and the Debenture Shares and are conditionally approved for listing, and, upon notification to the Exchange of the issuance and sale thereof and fulfillment of the conditions of the Exchange, will be listed and posted for trading on the Exchange;
 - (xii) Computershare Trust Company of Canada, at its principal office in Calgary, Alberta has been duly appointed the transfer agent and registrar for the Common Shares and the Offered Debentures, and has been duly appointed the trustee for the Debentures under the Debenture Indentures;
 - (xiii) the form and terms of the definitive certificates representing the Debentures have been duly approved and adopted by the board of directors of the Corporation and comply with the CBCA and the requirements of the Exchange relating thereto; and
 - (xiv) the authorized and issued capital of the Corporation.

It is understood that counsel may rely on the opinions of local counsel acceptable to it as to matters governed by the laws of jurisdictions other than where they are qualified to practice law, and on certificates of officers of the Corporation, the transfer agent and public officials as to relevant matters of fact;

- (b) a certificate of the Corporation dated the Closing Date addressed to the Agents and signed on behalf of the Corporation by the President and Chief Executive Officer and the Chief Financial Officer of the Corporation or such other officers of the Corporation satisfactory to the Agents, acting reasonably, certifying, on behalf of the Corporation and without personal liability, that:
 - (i) the Corporation has complied with and satisfied, in all material respects, all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time;

- (ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct in all material respects at the Closing Time, as if made at such time; and
- (iii) no event of a nature referred to in subsection 11(a)(i), 11(a)(ii), 11(a)(iii) or 11(a)(vii) has occurred or to the knowledge of such officer is pending, contemplated or threatened (excluding any requirement to make any determination as to any Agent's opinion);
- (iv) the Acquisition Agreement has not been amended nor have any terms and conditions thereof been waived; and
- (v) the Corporation has no reason to believe that the Acquisition will not be completed in accordance with the terms of the Acquisition concurrent with the Closing Time;

and each such statement shall be true;

- (c) evidence satisfactory to the Agents that the Corporation has obtained all necessary third party approvals and all necessary approvals of the Exchange for the issuance of the Offered Debentures and Agents' Fee Debentures and the issuance and listing of the Debenture Shares, subject only to the payment of applicable fees;
- (d) executed copies of the Subscription Agreements;
- (e) an executed copy of the Debenture Indenture;
- (f) certificates representing the Agents' Fee Debentures; and
- (g) such other certificates and documents as the Agents may request, acting reasonably.

13. Deliveries

The sale of the Debentures to be purchased hereunder shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Agents may agree. Subject to the conditions set forth in section 12, the Corporation, on the Closing Date, shall cause the Debenture Agent to issue such certificates representing, as requested, the Debentures registered in such names as the Agents may notify the Corporation in writing not less than 24 hours prior to the Closing Time, against payment by the Agents to the Corporation, at the direction of the Corporation, of the aggregate purchase price for the Debentures less an amount equal to the Agents' Expenses payable pursuant to section 10, by wire transfer, or if permitted by applicable law, certified cheque or bank draft, in Canadian currency payable at par in Calgary, Alberta, together with a receipt signed by the Co-Lead Agents for such certificates and the Agents' Fee and the Agents' Expenses.

If requested by the Agents, the Corporation, instead of delivering physical certificates at the Closing Time will deposit that number of Offered Debentures electronically with CDS Clearing and Depository Services Inc. or its nominee, for credit to the Agents, through the non-certificated inventory system of CDS Clearing and Depository Services Inc.

14. Restrictions on Offerings

The Corporation agrees that, from the date hereof and ending on the date that is 90 days following the Closing Date that it will not offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares, flow-through Common Shares, Debentures, subscription receipts, special warrants or other securities or financial instruments convertible or exchangeable into Common Shares without the prior consent of LBS not to be unreasonably withheld or delayed, provided that notwithstanding the foregoing, the Corporation may, without such consent: (i) grant options to directors, officers, consultants or employees of the Corporation pursuant to the Corporation's board approved stock option plan; (ii) issue Common Shares on exercise of outstanding stock options to purchase Common Shares; (iii) issue Common Shares in accordance with the terms of the Debentures; and (iv) issue the Agents' Fee Debentures.

15. Advertisements

If the Offering is successfully completed, the Corporation acknowledges and agrees that the Agents will be permitted to publish, at their own expense, public announcements or other communications relating to their services in connection with the Offering as they consider appropriate.

16. Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation be addressed to the Corporation, c/o Mr. Ian Atkinson, President and Chief Executive Officer, at the above address, Fax No. (403) 452-9249, with a copy to:

Stikeman Elliott LLP
4300 Bankers Hall West
888 – 3rd Street S.W.
Calgary, Alberta T2P 5C5
Attention: Sony Gill
Email: [redacted – confidential personal information]

and, in the case of notice to be given to the Agents, be addressed to:

Laurentian Bank Securities Inc.
Suite 600, 324 – 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

Attention: Wade Felesky
Email: [redacted – confidential personal information]

and to:

Eight Capital
355 – 8th Avenue S.W.
Suite 2110
Calgary, Alberta T2P 1C9

Attention: Tony P. Loria

Email: [redacted – confidential personal information]

and to:

Cormark Securities Inc.
Suite 4800
525 – 8th Avenue S.W.
Calgary, Alberta T2P 1G1

Attention: Dion Degrand
Email: [redacted – confidential personal information]

and to:

Desjardins Securities Inc.
110 – 9th Avenue S.W.
Calgary, Alberta T2P 0T1

Attention: Nikolas Javaheri
Email: [redacted – confidential personal information]

and to:

Canaccord Genuity Corp.
Suite 2400, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3

Attention: Neil Duffy
Email: [redacted – confidential personal information]

and to:

Haywood Securities Inc.
Suite 301, 808 1st Street S.W.
Calgary, Alberta T2P 1M9

Attention: Victor Rodberg
Email: [redacted – confidential personal information]

and a copy to:

Dentons Canada LLP
15th Floor, Bankers Court
850 – 2nd Street S.W.
Calgary, Alberta T2P 0R8

Attention: Lucas Tomei
Email: [redacted – confidential personal information]

or to such other address as the party may designate by notice given to the other. Each communication shall be personally delivered to the addressee or sent by email to the addressee, and:

- (a) a communication which is personally delivered shall, if delivered before 4:00 p.m. (local time at the place of delivery) on a Business Day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first Business Day following the day on which it is delivered; and
- (b) a communication which is sent by email shall, if sent on a Business Day before 4:00 p.m. (local time at the place of receipt), be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is sent.

17. Conditions

All terms, covenants and conditions of this Agreement to be performed by the Corporation shall be construed as conditions, and any breach or failure to comply with any material terms and conditions which are for the benefit of the Agents shall entitle the Agents to terminate their obligations hereunder. The Agents may waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of their rights in respect of any other representation, warranty, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Agents only if the same is in writing and signed by such Agent.

18. Survival of Representations and Warranties

All representations, warranties, terms and conditions herein (including, without limitation, those contained in section 6) or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the Closing Time and shall continue in full force and effect for the benefit of the Agents, the Subscribers or the Corporation, as applicable, and in the case of the Agents regardless of any investigation by or on behalf of the Agents with respect thereto.

19. Agents' Obligations

The Agents' rights and obligations under this Agreement are several and not joint and several. The Agents shall share the Agents' Fee in the following percentages:

| | |
|---------------------------------|-------|
| Laurentian Bank Securities Inc. | 46.5% |
| Eight Capital | 38.5% |
| Cormark Securities Inc. | 5.0% |
| Desjardins Securities Inc. | 5.0% |
| Canaccord Genuity Corp. | 2.5% |
| Haywood Securities Inc. | 2.5% |

In addition, LBS, as sole bookrunner, shall be entitled to a 5% step-up fee payable out of the Agents' Fee.

20. Severance

If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

21. Authority to Bind Agents

The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Agents by LBS, which shall represent the Agents, and which shall have the authority to bind the Agents in respect of all matters hereunder, except in respect of any settlement under section 8 or 9 or any matter referred to in section 11. While not affecting the foregoing, the Lead Underwriters shall consult with the other Underwriter with respect to any such notice, waiver, extension or other communication

22. Successors and Assigns

The terms and provisions of this Agreement will be binding upon and enure to the benefit of the Corporation and the Agents and their respective successors and assigns; provided that, except as otherwise provided in this Agreement, this Agreement will not be assignable by any party without the written consent of the others and any purported assignment without that consent will be invalid and of no force and effect.

23. No Fiduciary Duty

The Corporation: (i) acknowledges and agrees that the Agents have certain statutory obligations as registrants under Canadian Securities Laws and may have relationships with their clients; (ii) acknowledges and agrees that the Agents are neither the agents of the Corporation nor has any Agent assumed a fiduciary responsibility in favour of the Corporation with respect to the Offering or the process leading thereto or any other obligation to the Corporation except as expressly set forth in this Agreement; and (iii) consents to the Agents acting hereunder while continuing to act for their clients. To the extent that the Agents' statutory obligations as registrants under Canadian Securities Laws or relationships with their clients conflicts with their obligations hereunder the Agents shall be entitled to fulfil their statutory

obligations as registrants under Canadian Securities Laws and their duties to their clients. Nothing in this Agreement shall be interpreted to prevent the Agents from fulfilling their statutory obligations as registrants under Canadian Securities Laws or duties to their clients.

24. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each of the Corporation and the Agents hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

25. Time of the Essence

Time shall be of the essence of this Agreement.

26. Counterpart Execution

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement. Delivery of counterparts may be effected by facsimile or other electronic transmission.

27. Further Assurances

Each party to this Agreement covenants and agrees that from time to time, it will, at the request of the requesting party, execute and deliver all such documents and do all such other acts and things as any party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

28. Entire Agreement

It is understood that the terms and conditions of this Agreement represent the entire agreement between the parties with respect to the subject matter hereof and the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Agents and the Corporation including the engagement letter dated April 25, 2019 and the Engagement Letter.

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

If the foregoing is in accordance with your understanding and is agreed to by you, please confirm your acceptance by signing the enclosed copies of this letter at the place indicated and by returning the same to LBS.

LAURENTIAN BANK SECURITIES INC.

Per: (signed) "*Wade Felesky*"

EIGHT CAPITAL

Per: (signed) "*Tony P. Loria*"

CORMARK SECURITIES INC.

Per: (signed) "*Dion Degrand*"

DESJARDINS SECURITIES INC.

Per: (signed) "*Nikolas Javaheri*"

CANACCORD GENUITY CORP.

Per: (signed) "*Neil Duffy*"

HAYWOOD SECURITIES INC.

Per: (signed) "*Victor Rodberg*"

ACCEPTED AND AGREED to as of the date of this Agreement.

SOUTHERN ENERGY CORP.

Per: (signed) "*Ian Atkinson*"
