

ARRANGEMENT AGREEMENT

BETWEEN:

DEFIANCE SILVER CORP.

AND

VALORO RESOURCES INC.

November 5, 2018

THIS AGREEMENT made as of the 5th day of November, 2018.

BETWEEN:

DEFIANCE SILVER CORP.

Suite 2300 – 1177 W. Hastings Street, Vancouver British Columbia V6E 2K3

(“DEF”)

AND:

VALORO RESOURCES INC.

c/o Suite 704 – 595 Howe Street, Vancouver, British Columbia V6C 2T5

(“VRO”)

WHEREAS this Agreement sets out the terms and conditions upon which DEF agrees to acquire all of the issued and outstanding common shares, warrants and options of VRO in exchange for shares, warrants or options of VRO;

AND WHEREAS the Parties intend that such transaction be carried out under the arrangement provisions of Part 9, Division 5 of the *Business Corporations Act* (British Columbia);

NOW THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 **Purpose of Agreement:** This Agreement replaces and supersedes all prior agreements, understandings and arrangements between the Parties in their entirety; and contemplates (i) the acquisition by DEF of all the shares, warrants and options of VRO from the holders thereof, (ii) the issuance by DEF of shares, warrants and options of DEF to the VRO holders on the basis of 0.71 DEF securities for each corresponding VRO security, and (iii) VRO becoming a wholly owned subsidiary of DEF.

1.2 **Definitions.** In this Agreement and in all Appendices attached and to be attached to this Agreement, all capitalized terms will have the meanings ascribed thereto in the Plan of Arrangement. In addition, herein:

“**Agreement**” means this Agreement including all Schedules, and all amendments made to this Agreement, and any Schedule, by written agreement between the Parties.

“**Agreement Date**” means the date of this Agreement as set out at the top of page 1.

“**Applicable Laws**” means in relation to any Person, transaction or event, all applicable laws, statutes, rules, regulations, directives, published guidelines, standards, codes of practice, treaties, by-laws, ordinances, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders, judgments, orders, rulings, decrees, directives, writs and policies of, and the terms and conditions of any grant of approval, permission, authority or license of, any governmental or regulatory authority, and by which such Person or its business, properties, assets, undertaking or securities is or are bound or subject.

“**Arrangement**” means the arrangement involving DEF and VRO under the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth herein, subject to any amendments, supplements, or variations thereto or made at the direction of the Court in the Final Order with the consent of DEF and VRO, each acting reasonably.

“**Arrangement Resolution**” means the special resolution to be approved by the VRO Securityholders, voting as a group, at the VRO Meeting in respect of the Arrangement.

“**BCBCA**” means the *Business Corporations Act, SBC 2002, c 57*, as it may be amended from time to time.

“**Business Day**” means any day, other than a Saturday, a Sunday or a day on which the principal chartered banks located in Vancouver, British Columbia are closed for business during normal banking hours.

“**Closing**” has the meaning ascribed thereto in Section 5.1.

“**Closing Date**” means the date upon which Closing occurs.

“**Court**” means the Supreme Court of British Columbia.

“**DEF**” means Defiance Silver Corp., a corporation existing pursuant to the laws of British Columbia.

“**DEF Disclosure Letter**” means that letter, dated the Agreement Date, pursuant to which DEF details certain exceptions to its representations and warranties.

“**DEF Financial Statements**” means the audited comparative annual financial statements of DEF as at and for the financial years ended June 30, 2018 and 2017, together with the notes thereto and the auditors’ report thereon.

“**DEF Option Plan**” means DEF’s 10% rolling share option plan in effect on the Agreement Date.

“**DEF Replacement Options**” means the DEF Share purchase options to be issued by DEF in exchange for VRO Options pursuant to the Arrangement, having the same terms and conditions as the VRO Options, subject to the Exchange Ratio.

“**DEF Board**” means the board of directors of DEF.

“**DEF Replacement Warrants**” means the DEF Share purchase warrants to be issued by DEF in exchange for VRO Warrants pursuant to the Arrangement, having the same terms and conditions as the VRO Warrants, subject to the Exchange Ratio.

“**DEF Securities**” mean collectively the DEF Shares, DEF Replacement Options and DEF Replacement Warrants, as will be issued pursuant to the Arrangement.

“**DEF Shares**” mean the common shares in the capital of DEF.

“**DEF Subsidiaries**” means each of:

- (i) Minera Santa Remy S.A. de C.V., a Mexican company wholly owned by DEF; and
- (ii) DefCap (BVI) Inc., a British Virgin Islands company wholly owned by DEF.

“**Dissent Procedures**” has the meaning ascribed thereto in the Plan of Arrangement.

“**Dissent Rights**” has the meaning ascribed thereto in the Plan of Arrangement.

“**Dissent Share**” has the meaning ascribed thereto in the Plan of Arrangement.

“**Dissenting VRO Shareholder**” has the meaning ascribed thereto in the Plan of Arrangement.

“**Effective Date**” means the second Business Day after the date on which the Parties confirm in writing (such confirmation not to be unreasonably withheld or delayed) that all conditions to the completion of the Plan of Arrangement have been satisfied or waived in accordance with Section 5.1 hereof and all documents and instruments required hereunder, the Plan of Arrangement and the Final Order have been delivered.

“**Effective Time**” means 12:01 a.m. on the Effective Date.

“**Encumbrance**” means any encumbrance, lien, charge, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, restriction, reservation, option, pre-emptive right or privilege of any nature or kind whatsoever or any contract to create any of the foregoing.

“**Exchange Ratio**” means the rate at which VRO Shareholders will receive DEF Shares under the Arrangement, being 0.71 DEF Shares for each VRO Share held.

“**Fair Value**” means the fair value of a Dissent Share at the close of business on the day before the day on which the VRO Meeting is held, determined in accordance with the Plan of Arrangement.

“**Final Order**” means the order of the Court approving the Arrangement under section 291 of the BCBCA, in a form acceptable to DEF and VRO, each acting reasonably, after a hearing upon the fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, or modified by the Court, with the consent of both DEF and VRO, each acting reasonably, at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both DEF and VRO, each acting reasonably) on appeal.

“**Financing**” means fund raising which may be undertaken by DEF, with the support and cooperation of VRO, on a private placement basis, through the distribution of securities of DEF, with a view to raising up to C\$ 5,000,000.

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“**Interim Order**” means the interim order of the Court concerning the Arrangement under Section 291 of the BCBCA, containing declarations and directions with respect to the Arrangement and providing for, among other things, the calling and holding of the VRO Meeting, as such order may be affirmed, amended, or modified by the Court with the consent of DEF and VRO, each acting reasonably.

“**Governmental Authority**” means any domestic or foreign government whether federal, provincial, state or municipal and any branch or department thereof or any governmental agency, governmental department, governmental tribunal or governmental commission of any kind whatsoever.

“**Material Adverse Change**” means, in respect of either DEF or VRO, as the case may be, any change in the business, affairs, operations, prospects, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, privileges or liabilities, whether contractual or otherwise, of such Party, which is materially adverse to such Party, other than a change that results from or arises out of:

- (i) a matter publicly disclosed prior to the Effective Date or otherwise disclosed in writing by a Party to the other Party prior to the Effective Date;
- (ii) conditions affecting the mining or mineral exploration industry generally in jurisdictions in which it carries on business, including changes in share prices, commodity prices or taxes;

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- (iii) general economic, financial, currency exchange, securities or commodity market conditions;
 - (iv) any announcements relating to or having any effect on VRO or DEF, as the case may be, due to any changes or proposed changes to applicable royalty or tax structures; or
 - (v) any matter permitted or contemplated by this Agreement or consented to in writing by VRO, in the case of DEF, or by DEF, in the case of VRO provided it is a direct result thereof.

“**Material Adverse Effect**”, in relation to any event or change, means an effect that is, or would reasonably be expected to be, materially adverse to the business, affairs, operations, prospects, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, privileges or liabilities, whether contractual or otherwise, of DEF or VRO, as the case may be, but a Material Adverse Effect shall not include an adverse effect resulting from a change that arises out of or results from:

- (i) a matter that has been publicly disclosed prior to the Effective Date or otherwise disclosed in writing by a Party to the other prior to the Effective Date;
- (ii) conditions affecting the mining or mineral exploration industry generally in jurisdictions in which it carries on business, including changes in share prices, commodity prices or taxes;
- (iii) general economic, financial, currency exchange, securities or commodity market conditions; or
- (iv) any announcements relating to or having any effect on DEF or VRO, as the case may be, due to any changes or proposed changes to applicable royalty or tax structures.

“**Outside Date**” means December 31, 2018, being the date by which Closing must occur, unless extended by mutual agreement of the Parties.

“**Party**” means either DEF or VRO and “**Parties**” means both of them.

“**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, however, designated or constituted.

“**Plan of Arrangement**” means the plan of arrangement, substantially in the form of Schedule A, subject to any amendments or variations to such plan made in accordance therewith or made at the direction of the Court in the Final Order with the prior written consent of the Parties, each acting reasonably, pursuant to which the Arrangement will be carried out.

“**Public Record**” means all information filed by VRO or DEF, as the case may be, with the Canadian securities regulators which is publicly available on the System for Electronic Document Analysis and Retrieval (SEDAR).

“**TSXV**” means the TSX Venture Exchange.

“**U.S. Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

“**VRO Board**” means the board of directors of VRO.

“**VRO Disclosure Letter**” means that letter, dated the Agreement Date, pursuant to which VRO details certain exceptions to its representations and warranties.

“**VRO Financial Statements**” means the audited comparative annual financial statements of VRO as at and for the financial years ended December 31, 2017 and 2016, together with the notes thereto and the auditors’ report thereon.

“**VRO Meeting**” means the special general meeting of the VRO Securityholders, including any adjournment or postponement thereof in accordance, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

“**VRO Non-Completion Fee**” has the meaning ascribed thereto in section 6.1.

“**VRO Options**” means those VRO Share purchase options outstanding as of the date of Effective Date, one VRO Option being deemed to be outstanding for each VRO Share issuable pursuant to such options.

“**VRO Securityholders**” means collectively the VRO Shareholders and holders of VRO Options and VRO Warrants.

“**VRO Shareholder**” means a holder of one or more VRO Shares.

“**VRO Shares**” means the common shares in the capital of VRO.

“**VRO Subsidiaries**” means each of:

- (i) Geologix Explorations Mexico S.A. de C.V., a Mexican company wholly owned by VRO;
- (ii) GEM Servicios S.A. de C.V., a Mexican company wholly owned by VRO; and
- (iii) Geologix (U.S.) Inc., a U.S. company wholly owned by VRO.

“**VRO Support Agreements**” means agreements between DEF and each of the VRO Support Securityholders pursuant to which the VRO Support Securityholders agree to vote their VRO Securities in favour of the Arrangement Resolution and to otherwise support the Plan of Arrangement.

“**VRO Support Securityholders**” means those directors, officers and significant holders of VRO Securities, who have entered or will enter into VRO Support Agreements.

“**VRO Warrants**” means those VRO Share purchase warrants outstanding as of the date of Effective Date.

1.3 **Gender and Number.** This Agreement shall be read with all changes in number and gender required by the context.

1.4 **Headings and Table of Contents.** The inclusion of headings in this Agreement is for convenience only and shall not affect the construction or interpretation hereof.

1.5 **Monetary References.** All monetary references herein pertain to Canadian dollars unless otherwise stated.

1.6 **Knowledge.** In this Agreement, whenever a representation or warranty is made on the basis of the knowledge or awareness of a Party, such knowledge or awareness consists only of the actual knowledge or awareness, as of the Agreement Date, of the Chief Executive Officer and Chief Financial Officer of such Party, in each case after due inquiry and making all reasonable inquiries, including of his direct reports but does not include the knowledge or awareness of any other

individual or any constructive, implied or imputed knowledge; provided that the Party making the representation and warranty shall have conducted an actual investigation as to the subject matter relating thereto and the level of such investigation shall be that of a reasonably prudent individual investigating a material consideration in the context of a material transaction and the use of such phrase shall constitute a representation and warranty by the Party making the representation and warranty in each case that such investigation has actually been made.

1.7 **Schedules.** The following Schedules are attached to and form part of this Agreement:

Schedule A – Plan of Arrangement
Schedule B – Arrangement Resolution

2. ARRANGEMENT

2.1 **Plan of Arrangement.** The Arrangement will be implemented in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement. Without limitation to the foregoing, at the Effective Time, the Plan of Arrangement shall become effective with the result that, among other things, VRO will become a wholly owned subsidiary of DEF, the VRO Shareholders will become shareholders of DEF, the holders of VRO Options will become holders of DEF Replacement Options, and the holders of VRO Warrants will become holders of DEF Replacement Warrants.

2.2 **VRO Meeting.** As soon as reasonably practicable following the execution of this Agreement, VRO will prepare the notice, information circular and other proxy materials for the VRO Meeting. DEF will provide information concerning the business and affairs of DEF in a form and content satisfactory to VRO so as to meet VRO's disclosure obligations to the VRO Shareholders.

2.3 **Interim Order.** As soon as reasonably practicable following the execution of this Agreement, VRO will apply to the Court, pursuant to Part 9, Division 5 of the BCBCA and, in cooperation with DEF, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

- (i) for the calling of the VRO Meeting to consider the Arrangement Resolution;
- (ii) that the VRO Shareholders, VRO Warrant holders and VRO Option holders will vote as a single class on the Arrangement Resolution and the number of votes represented by each VRO Warrant and VRO Option;
- (iii) that the required minimum level of approval for the Arrangement Resolution shall be at least two-thirds of the votes cast at a duly held VRO Meeting;
- (iv) for the establishment of a record date to determine VRO Shareholders and holders of VRO Options and VRO Warrants who may vote on the Arrangement Resolution;
- (v) for the grant of the Dissent Rights to VRO Shareholders; and
- (vi) for such other matters as the Parties may reasonably require.

2.4 **Arrangement Resolution.** Subject to the terms of this Agreement, VRO shall convene and conduct the VRO Meeting in accordance with the Interim Order, as soon as reasonably practicable, for the purpose of considering the Arrangement Resolution.

2.5 **Final Order.** If the the Arrangement Resolution is duly passed at the VRO Meeting, VRO shall take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to Part 9, Division 5 of the BCBCA, as soon as reasonably practicable, but in any event not later than five Business Days after the Arrangement Resolution is duly passed at the VRO Meeting.

2.6 **Distribution to VRO Securityholders.** VRO and DEF will coordinate with DEF's transfer agent to (i) set a record date for purposes of determining those VRO Shareholders entitled to receive DEF Shares (which may be the same record date as set for the VRO Meeting), and (ii) printing and mailing out the certificates evidencing or Direct Registration Service statement respecting DEF Shares to the VRO Shareholders upon Closing. VRO and DEF will coordinate to have DEF Replacement Options issued to all holders of VRO Options, and DEF Replacement Warrants issued to all holders of VRO Warrants.

2.7 **US Securities Matters.** The Arrangement shall be structured such that, if the Arrangement Resolution is passed and the Final Order is obtained, the issuance of the DEF Shares to the VRO Shareholders, DEF Replacement Options to holders of VRO Options and DEF Replacement Warrants to holders of VRO Warrants under the Arrangement will not require registration under the U.S. Securities Act, and the rules and regulations promulgated thereunder, in reliance on Section 3(a)(10) of the U.S. Securities Act.

2.8 **Board of Directors.** Effective immediately after the Closing, the directors of DEF and VRO will be changed to consist of Peter Hawley, Darrell Rader, Ron Sowerby, and Paul Smith (as representatives of DEF) and Dunham Craig, George Brack, and Randy Smallwood (as representatives of VRO). Each director of VRO who will not be continuing as a director of VRO or DEF will be offered a consulting agreement paying consideration of \$1.00 per year and having a term equal to the length of the Person's unexpired VRO Options.

2.9 **Officers.** Effective immediately after the Closing, the officers of DEF and VRO will be changed to consist of the following and each officer of VRO who will not be continuing as an officer of VRO or DEF will be offered a consulting agreement paying consideration of \$1.00 per year and having a term equal to the length of the Person's unexpired VRO Options.

President and Chief Executive Officer	Peter Hawley
Chief Financial Officer	Evelyn Abbott
Vice-President, Exploration	Gillian Kearvell
Secretary	Evelyn Abbott

3. COVENANTS

3.1 **Covenants of DEF**

DEF agrees that during the period from the Agreement Date and ending on the earlier of the Effective Date or the termination of this Agreement, except as otherwise expressly permitted or specifically contemplated by this Agreement:

(a) DEF shall, and shall cause the DEF Subsidiaries to, conduct business only in the usual and ordinary course of business consistent with past practices (for avoidance of doubt, where it is an operator of any property, it shall, and shall cause the DEF Subsidiary to, operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property), and it shall consult with VRO in respect of its ongoing business and affairs and keep VRO apprised of all material developments relating thereto;

(b) DEF shall not, and shall cause the DEF Subsidiaries to not, directly or indirectly, do or permit to occur any of the following:

- (i) amend its constating documents;
- (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities;

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- (iii) issue or agree to issue any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of DEF (other than the issuance of DEF Shares on exercise of outstanding stock options and warrants);
 - (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities (other than on conversion of outstanding securities);
 - (v) split, combine or reclassify any of its securities;
 - (vi) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization of DEF or a DEF Subsidiary; or
 - (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (c) DEF shall not and shall cause the DEF Subsidiaries to not, without prior consultation with and the prior written consent of VRO (such consent not to be unreasonably withheld), directly or indirectly:
- (i) sell, pledge, dispose of or encumber any assets or enter into any asset swap, farm-out or similar arrangement;
 - (ii) expend any material amounts of money outside of the ordinary business of DEF without the written consent of VRO;
 - (iii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, trust, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer;
 - (iv) other than for payment for costs associated with completing the Arrangement and maintenance of its day to day operations, incur any indebtedness for borrowed money, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances;
 - (v) pay, discharge or satisfy any claims, liabilities or obligations other than as disclosed in writing to VRO prior to the entering into of this Agreement or reflected or reserved against in the DEF Financial Statements or payment in the ordinary course of business of accounts payable incurred prior to the Agreement Date and included in the DEF Financial Statements or in compliance with the other provisions of this section 3.1(c);
 - (vi) authorize, recommend or propose any release or relinquishment of any material contract right;
 - (vii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, or other material document;
 - (viii) enter into any employment, consulting or contract operating agreement, other than Minera Santa Remy S.A. de C.V. may enter into a consulting agreement with a third party for community relations services; or
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- (ix) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (d) DEF shall cooperate with VRO and use its commercially reasonable efforts to obtain as soon as possible conditional approval of the TSXV for the Arrangement and listing of the DEF Shares issuable pursuant to the Arrangement on the TSXV as of the Effective Date;
- (e) DEF shall not and shall cause the DEF Subsidiaries to not:
- (i) grant any officer, director, employee or consultant an increase in compensation in any form;
 - (ii) grant any general salary increase to any employees;
 - (iii) take any action with respect to the amendment or grant of any retention, severance or termination pay policies or similar arrangement for any directors, officers or employees;
 - (iv) advance any loan to any officer, director or any third Person; or
 - (v) take any action with respect to the grant of any new, or any amendment to any existing, arrangements for severance, termination or retention pay with any officer or employee arising from the Arrangement or a change of control of DEF or otherwise, or with respect to any increase of benefits payable under its current severance, termination or retention pay policies;
- (f) DEF shall not, and shall cause the DEF Subsidiaries to not, adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, incentive or share purchase plan, fund, plan or arrangement for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangement or agreements;
- (g) DEF shall permit VRO to conduct all due diligence in respect of DEF which it may reasonably require in connection with the Arrangement, and without limiting the generality of the foregoing, DEF shall make available its senior management, and shall use all commercially reasonable efforts to cause its auditors (including of any predecessor entity or business) and legal counsel, to be available, to answer any questions which VRO may have;
- (h) DEF will furnish promptly to VRO any requests from any governmental or regulatory authority for any information in respect of the business, operations, financial condition or assets of DEF or any third Person complaint, investigation or hearing (or investigations indicating the same may be contemplated) if it could reasonably be expected to have a Material Adverse Effect on DEF;
- (i) DEF shall, and shall cause the DEF Subsidiaries to, use commercially reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse (and for director and officer insurance, shall maintain such policies in good standing until the third anniversary of the Effective Date), unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect (and DEF shall maintain in good standing any policies in effect for the benefit of all directors and officers until the third anniversary of the Effective Date);
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(j) DEF shall not, and shall cause the DEF Subsidiaries to not, take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;

(k) DEF shall not, and shall cause the DEF Subsidiaries to not, take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere or negatively affect the consummation of the Arrangement, subject to the DEF Board discharging its fiduciary duties under Applicable Laws;

(l) DEF shall promptly notify VRO in writing of: (i) any material change (actual, anticipated or, to the knowledge of DEF, contemplated or threatened, financial or otherwise) in the business, operations, results of operations, affairs, assets, capitalization, financial condition, licenses, permits, concessions, prospects, rights, or liabilities, whether contractual or otherwise, of DEF; or (ii) any change that would render any representation or warranty provided by DEF in this Agreement misleading or untrue in any material respect and DEF shall in good faith discuss with VRO any change in circumstances (actual, anticipated or to the knowledge of DEF contemplated or threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to VRO pursuant to this provision;

(m) DEF shall, and shall cause the DEF Subsidiaries to, use its commercially reasonable efforts to obtain any consents required for the transactions contemplated hereby (including the consent of the TSXV, and any applicable regulatory approvals) and provide the same to VRO prior to the Effective Date;

(n) DEF will within two Business Days of DEF receiving any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools (a "DEF Assessment"), deliver to VRO a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of DEF on the assumption that such DEF Assessment is valid and binding;

(o) DEF shall use its commercially reasonable efforts to fulfill or cause the fulfillment of the conditions set forth in section 5.1, as applicable to it, as soon as reasonably possible to the extent that the fulfillment of the same is within the control of DEF;

(p) DEF will, to the extent that it is within its power, assist VRO in filing, proceeding with and diligently prosecuting an application for the Final Order and to forthwith carry out the terms of the Final Order to the extent applicable to DEF provided that nothing shall require DEF to consent to any modification of this Agreement, the Arrangement or DEF's obligations hereunder or thereunder;

(q) except for non-substantive communications with shareholders, DEF will furnish promptly to VRO, a copy of each notice, report, schedule or other document delivered, filed or received by DEF in connection with:

- (i) the Arrangement;
- (ii) any filings under applicable laws; and
- (iii) any dealings with regulatory agencies in connection with the transactions contemplated hereby;

(r) DEF shall make all necessary filings and applications under Canadian federal and provincial and U.S. laws and regulations required to be made on the part of DEF in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such laws and regulations; and

(s) DEF shall maintain in place directors' and officers' liability insurance of the existing VRO directors and officers, covering claims made prior to and within three years after the Effective Date and on a "trailing" or "run off" basis, which has scope and coverage acceptable to DEF and VRO, each acting reasonably;

(t) DEF will take all such commercially reasonable efforts to expeditiously pursue the satisfaction of all conditions to the completion, and the completion of, the Financing, if any; and

(u) DEF will take all such commercially reasonable efforts to expeditiously pursue the satisfaction of all conditions to the completion of the Acquisition on the Effective Date.

3.2 **Covenants of VRO**

VRO agrees that during the period from the Agreement Date and ending on the earlier of the Effective Date or the termination of this Agreement, except as otherwise expressly permitted or specifically contemplated by this Agreement:

(a) VRO shall, and shall cause the VRO Subsidiaries to, conduct business only in the usual and ordinary course of business consistent with past practices (for avoidance of doubt, where it is an operator of any property, it shall, and shall cause the VRO Subsidiary to, operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property), and it shall consult with DEF in respect of its ongoing business and affairs and keep DEF apprised of all material developments relating thereto;

(b) VRO shall not, and shall cause the VRO Subsidiaries to not, directly or indirectly do or permit to occur any of the following:

- (i) amend its constating documents;
- (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities;
- (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities (other than on conversion of outstanding securities);
- (iv) split, combine or reclassify any of its securities;
- (v) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization of VRO or a VRO Subsidiary; or
- (vi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;

(c) VRO shall use its commercially reasonable efforts to obtain as soon as possible conditional approval of the TSXV for the Arrangement;

(d) VRO shall permit DEF to conduct all due diligence in respect of VRO which it may reasonably require in connection with the Arrangement, and without limiting the generality of the foregoing, VRO shall make available its senior management, and shall use all commercially reasonable efforts to cause its auditors (including of any predecessor entity or business) and legal counsel, to be available, to answer any questions which DEF may have;

(e) VRO shall use its commercially reasonable efforts to cause, effective at the Effective Time, the resignation of each of Graham Thody and Evelyn Abbott as directors or officers of VRO, and to cause each of them to provide releases in favour of VRO and DEF, conditional on completion

of the Arrangement and effective on the Effective Date, each in form and substance satisfactory to DEF and VRO, each acting reasonably;

(f) VRO will furnish promptly to DEF any requests from any governmental or regulatory authority for any information in respect of the business, operations, financial condition or assets of VRO or any complaint, investigation or hearing (or investigations indicating the same may be contemplated) if it could reasonably be expected to have a Material Adverse Effect on VRO;

(g) VRO shall, and shall cause the VRO Subsidiaries to, use commercially reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse before the Effective Date, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(h) VRO shall not, and shall cause the VRO Subsidiaries to not, take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;

(i) VRO shall not, and shall cause the VRO Subsidiaries to not, take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere or negatively affect the consummation of the Arrangement, subject to the VRO Board discharging its fiduciary duties under Applicable Laws;

(j) VRO shall promptly notify DEF in writing of: (i) any material change (actual, anticipated or, to the knowledge of VRO, contemplated or threatened, financial or otherwise) in the business, operations, results of operations, affairs, assets, capitalization, financial condition, licenses, permits, concessions, prospects, rights, or liabilities, whether contractual or otherwise, of VRO other than any change that would render any representation or warranty provided by VRO in this Agreement misleading or untrue in any material respect and VRO shall in good faith discuss with DEF any change in circumstances (actual, anticipated or to the knowledge of VRO contemplated or threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to DEF pursuant to this provision;

(k) VRO shall, and shall cause the VRO Subsidiaries to, use its commercially reasonable efforts to obtain any consents required for the transactions contemplated hereby (including the consent of the TSXV and any applicable regulatory authorities) and provide the same to DEF prior to the Effective Date;

(l) VRO will within two Business Days of VRO receiving any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools (a "VRO Assessment"), deliver to DEF a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of VRO on the assumption that such VRO Assessment is valid and binding;

(m) VRO shall use its commercially reasonable efforts to fulfill or cause the fulfillment of the conditions set forth in section 5.1, as applicable to it, as soon as reasonably possible to the extent that the fulfillment of the same is within the control of VRO;

(n) VRO shall provide notice to DEF of the VRO Meeting and allow DEF's representatives to attend such meeting;

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- (o) in compliance with Applicable Laws, VRO shall use all commercially reasonable efforts to cause the Arrangement Resolution to be passed by the VRO Securityholders;
- (p) except for non-substantive communications with shareholders, VRO will furnish promptly to DEF, a copy of each notice, report, schedule or other document delivered, filed or received by VRO in connection with:
- (i) the Arrangement;
 - (ii) any filings under applicable laws; and
 - (iii) any dealings with regulatory agencies in connection with the transactions contemplated hereby;
- (q) VRO shall make all necessary filings and applications under Canadian federal and provincial and U.S. laws and regulations required to be made on the part of VRO in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such laws and regulations;
- (r) VRO will, to the extent that it is within its power, proceed with and diligently prosecute an application for the Final Order and forthwith carry out the terms of the Final Order to the extent applicable to VRO provided that nothing shall require VRO to consent to any modification of this Agreement, the Arrangement or VRO's obligations hereunder or thereunder;
- (s) VRO shall promptly advise DEF of the number of VRO Shares for which VRO receives notices of dissent or written objections to the Arrangement Resolution and provide DEF with copies of such notices;
- (t) VRO shall promptly advise DEF of the number of VRO Shares for which VRO receives notices to appear in connection with application for the Final Order and provide DEF with copies of such notices;
- (u) VRO shall use commercially reasonable efforts to obtain VRO Support Agreements in respect of VRO Securities within 10 days following the execution of this Agreement;
- (v) VRO will take all such commercially reasonable efforts to expeditiously pursue the satisfaction of all conditions to the completion of the Financing, if any; and
- (w) VRO will take all such commercially reasonable efforts to expeditiously pursue the satisfaction of all conditions to the completion of the Acquisition on the Effective Date.

3.3 **Non Solicitation**

- (a) VRO shall immediately cease and cause to be terminated all existing discussions and negotiations (including through any of its representatives on its behalf), if any, with any other Persons (other than pursuant to this Agreement) conducted before the Agreement Date with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal.
- (b) VRO shall not, directly or indirectly, do or authorize or permit any of its representatives to, directly or indirectly, do, any of the following:
- (i) solicit, assist, initiate, encourage or in any way facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) or take any action to solicit, encourage or facilitate any inquiry or communication or the making of any proposal or offer to VRO or its shareholders from

any Person which constitutes or may constitute, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (A) an acquisition from VRO or its shareholders of any securities of VRO (other than on exercise of currently outstanding VRO Options and VRO Warrants);
- (B) any acquisition of 20% or more of the assets of VRO;
- (C) an amalgamation, arrangement, merger, or consolidation involving VRO; or
- (D) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving VRO or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to VRO under this Agreement or the Arrangement

(any such inquiry or proposal in respect of any of the foregoing being an “**Acquisition Proposal**”);

- (ii) enter into or participate in any negotiations or discussions regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its business, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing; or
- (iii) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal,

provided, however, that notwithstanding any other provision hereof, VRO and its representatives may:

- (iv) enter into, engage in or participate in negotiations or discussions with any Person who (without any solicitation, initiation or encouragement, directly or indirectly, after the Agreement Date, by VRO or any of its representatives) seeks to initiate such negotiations or discussions and, may furnish to such Person information concerning VRO and its business, properties and assets, in each case if, and only to the extent that:
 - (A) such Person has first made a written bona fide Acquisition Proposal to VRO which the VRO Board determines in good faith:
 - (1) after consultation with its financial advisor, would, if consummated in accordance with its terms, result in a transaction financially superior for VRO Shareholders in comparison to the Arrangement; and
 - (2) after receiving the advice of outside counsel, that the taking of such action is necessary for the VRO Board in discharge of its fiduciary duties under Applicable Laws (a “**Superior Proposal**”);
 - (B) VRO will give prompt notice to DEF of each Acquisition Proposal, and provide to DEF in writing the determination of the VRO Board promptly upon determining that an Acquisition Proposal, if completed, would constitute a Superior Proposal;

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- (v) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from such Person, if VRO terminates this Agreement in accordance with section 8.2(c)(iv) and concurrently therewith pays the VRO Non-Completion Fee to DEF.

(c) If VRO receives a Superior Proposal, VRO shall give DEF, orally and in writing, at least 72 hours advance notice of any decision by the VRO Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall include a summary of the details of the Superior Proposal including the identity of the Person making the Superior Proposal. During such 72 hour period, VRO agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the Party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such 72 hour period VRO shall and shall cause its financial and legal advisors to, negotiate in good faith with DEF and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable VRO to proceed with the Arrangement as amended rather than the Superior Proposal. If DEF proposes to amend this Agreement and the Arrangement to provide that the VRO Shareholders shall receive a value per VRO Share equal to or better than as provided in the Superior Proposal and so advises VRO prior to the expiry of such 72 hour period, the VRO Board shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the Party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement.

(d) DEF agrees that all information that may be provided to it by VRO with respect to any Superior Proposal pursuant hereto shall be treated as confidential information.

3.4 **Mutual Covenants**

Until the Effective Date, each of VRO and DEF will use its reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:

- (a) to obtain all necessary waivers, consents and approvals required to be obtained by it under loan agreements, leases and other contracts;
- (b) to obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any Applicable Law;
- (c) to effect all necessary registrations and filings and submissions of information requested by governmental authorities required to be effected by it in connection with the Arrangement; and
- (d) oppose, lift or rescind any injunction or restraining order or other action seeking to stop or otherwise adversely affecting the ability of the Parties to consummate the transactions contemplated by this Agreement;

and each of VRO and DEF will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of its obligations under this section 3.4 including continuing to provide reasonable access to information and to maintain ongoing communications as between officers of DEF and VRO.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of DEF

DEF represents and warrants, as of the Agreement Date, to and in favour of VRO as follows (such representations and warranties also applying, where applicable, to the DEF Subsidiaries) and acknowledges that VRO is relying upon such representations and warranties in connection with the matters contemplated by this Agreement that, except as set out in the DEF Disclosure Letter:

- (a) DEF is duly incorporated, is validly subsisting under the laws of its jurisdiction of incorporation, and has the requisite corporate power and capacity to carry on its business as it is now being conducted;
- (b) DEF is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its 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 DEF;
- (c) DEF is a “reporting issuer” in material compliance with all applicable securities laws of the provinces of Alberta and British Columbia;
- (d) the outstanding DEF Shares are listed on the TSXV and DEF is in material compliance with the policies and rules of the TSXV;
- (e) DEF has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder; the execution and delivery of this Agreement by DEF and the consummation by DEF of the transactions contemplated hereby have been duly authorized by DEF’s board of directors and no other corporate proceedings on the part of DEF are or will be necessary to authorize this Agreement and the transactions contemplated hereby;
- (f) this Agreement has been duly executed and delivered by DEF and constitutes a legal, valid and binding obligation thereof enforceable against DEF in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors’ rights generally and to general principles of equity;
- (g) neither the execution and delivery of this Agreement by DEF, the consummation by DEF of the transactions contemplated hereby nor compliance by DEF with any of the provisions hereof will:
 - (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of DEF under, any of the terms, conditions or provisions of
 - (A) the articles or other constating documents of DEF, or
 - (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which DEF is subject or to which DEF’s properties or assets, may be subject or by which DEF is bound; or

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- (ii) subject to compliance with Applicable Laws, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to DEF; or
 - (iii) cause a suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on DEF;
 - (h) other than in connection with or in compliance with the provisions of Applicable Laws:
 - (i) there is no legal impediment to DEF's consummation of the transactions contemplated by this Agreement; and
 - (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by DEF in connection with the consummation of the Arrangement, except for the TSXV, and such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect on DEF and would not have a Material Adverse Effect on the ability of DEF and VRO to consummate the transactions contemplated hereby;
 - (i) DEF has authorized share capital of an unlimited number of DEF Shares and, as at the Agreement Date, DEF had issued and outstanding 103,351,820 DEF Shares and, other than as set out in DEF's Public Record, there are no outstanding DEF Shares or options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by DEF of any DEF Shares or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any DEF Shares, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attributes of DEF and all outstanding DEF Shares have been duly authorized and are validly issued, as fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;
 - (j) DEF has made all filings required under Applicable Laws with the applicable regulatory authorities, all such filings have been made in a timely manner, and all such filings and information and statements contained therein and any other information or statements disseminated to the public by DEF, forming DEF's Public Record, were true, correct and complete in all material respects and did not contain any misrepresentation, as at the date of such information or statements, and DEF has not filed any confidential material change reports which continue to be confidential;
 - (k) since the date of DEF's most recently filed financial statements forming part of its Public Record, there has not been any change, condition, event or occurrence that individually or in the aggregate, has resulted in or would reasonably be expected to result in Material Adverse Change in respect of DEF or has or would reasonable be expected to have a Material Adverse Effect on DEF;
 - (l) DEF has no liabilities or obligations other than as disclosed in the Public Record and since the date of DEF's most recently filed financial statements, has incurred no liabilities or obligations other than in the ordinary course of its business;
 - (m) the data and information in respect of DEF and its assets, liabilities, business and operations (taken as a whole) provided by DEF to VRO was and is complete, accurate and correct in all material respects as at the respective dates thereof and, in respect of any information provided or requested, did not knowingly omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof;
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- (n) there are no actions, suits, proceedings or inquiries, including, to the knowledge of DEF, pending or threatened against or affecting DEF, at law or in equity, or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which would have a Material Adverse Effect on DEF, or may have a Material Adverse Effect on DEF or have a Material Adverse Effect on the ability of VRO and DEF to consummate the transactions contemplated hereby;
- (o) there are no agreements, arrangements, commitments, understandings, judgments, orders, warrants, writs, injunctions or decrees binding upon DEF that has or could have the effect of prohibiting or materially restricting or impairing any business practice of DEF, any acquisition of property or assets by DEF or the conduct of business by DEF;
- (p) since the date of DEF's most recently filed financial statements, DEF has not:
- (i) amended its constating documents;
 - (ii) made any change in its accounting principles and practices as previously applied, including the basis upon which its assets and liabilities are recorded on its books and its earnings and profits and losses are ascertained; or
 - (iii) declared, paid or set aside for payment any dividend or distribution of any kind in respect of any of its outstanding securities nor made any repayments of capital to shareholders;
- (q) since the date of DEF's most recently filed financial statements, DEF has conducted its business in all material respects in the ordinary course of business consistent with normal industry practice and has not taken any action that would be in violation of DEF's ordinary and historical business practices, other than violations which would not have a Material Adverse Effect on DEF or would materially affect DEF's ability to consummate the transactions contemplated hereby;
- (r) DEF has complied with and is in compliance with all Applicable Laws, its constating documents and all material contracts, agreements and instruments to which it is subject, except where such non-compliance would not, considered individually or in the aggregate, result in a Material Adverse Change in relation to DEF, or materially affect the ability of DEF to consummate the transactions contemplated hereby;
- (s) no director, officer, insider or other non-arm's length party of DEF (or any affiliate thereof) is Party to a material contract or transaction with, or is indebted to, DEF;
- (t) no action or proceeding has been commenced or filed by or against DEF or which seeks or may lead to receivership, bankruptcy, a commercial proposal or similar proceeding of DEF, the adjustment or compromise of claims against it or the appointment of a trustee, receiver, liquidator, custodian or other similar officer for DEF or any portion of its assets. No such action or proceeding has been authorized or is being considered by or on behalf of DEF and no creditor or equity securityholder of DEF has threatened to commence or advised that it may commence, any such action or proceeding;
- (u) DEF has not made, nor is it considering making, an assignment for the benefit of its creditors, and has not requested, nor is it considering requesting, a meeting of its creditors to seek a reduction, compromise, composition or other accommodation with respect to its indebtedness;
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- (v) DEF's Public Record is complete, accurate and up-to-date and no material change has occurred in the business, operations, affairs or capital of DEF that has not been disclosed to VRO in writing;
 - (w) the DEF Financial Statements fairly present, in accordance with IFRS, consistently applied (except as specifically provided in the notes to such statements), the financial position and condition of DEF at the dates thereof and the results of the operations of DEF for the periods then ended and reflect all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of DEF as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end adjustments);
 - (x) no securities commission or similar regulatory authority, or stock exchange in Canada or the United States of America has issued any order which is currently outstanding preventing or suspending trading in any securities of DEF or prohibiting the transactions contemplated hereby, no such proceeding is, to the knowledge of DEF, pending, contemplated or threatened (other than that the DEF Shares may be halted upon announcement of this Agreement until completion of the Arrangement), and DEF is not in default of any requirement of any securities laws, rules or policies applicable to DEF or its securities;
 - (y) DEF has not retained any financial advisor, broker, agent or finder, or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement or the Arrangement, any transaction contemplated hereby, or any transaction presently ongoing or contemplated;
 - (z) the minute books, books of account and other records of DEF (whether of a financial or accounting nature or otherwise) have been maintained in accordance with, in all material respects, all applicable statutory requirements and prudent business practice and are complete and accurate in all material respects;
 - (aa) DEF has no liability or obligation to pay any amount (including any severance, termination or bonus payment resulting from the Arrangement or the change of control of DEF) to any current or former officer, director, employee, consultant other than for salary in the ordinary course;
 - (bb) DEF is not aware of, and has not received any order or directive which relates to environmental matters or any demand or notice with respect to the breach of any environmental, health or safety law applicable to DEF;
 - (cc) all tax returns required to be filed by or on behalf of DEF have been duly filed on a timely basis and such tax returns are true, complete and correct in all material respects and all taxes shown to be payable on the tax returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and, to the knowledge of DEF, no other taxes are payable by DEF with respect to items or periods covered by such tax returns;
 - (dd) DEF has paid or provided adequate accruals in the DEF Financial Statements for taxes, including current income taxes and future taxes, in conformity with IFRS;
 - (ee) no material deficiencies exist or have been asserted with respect to taxes;
 - (ff) DEF is not a Party to any action or proceeding for assessment or collection of taxes, nor has such event been asserted or threatened against DEF or any of its assets;
 - (gg) no waiver or extension of any statute of limitations is in effect with respect to taxes or tax returns of DEF;
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- (hh) the tax returns of DEF have never been audited by a government or taxing authority, nor is any such audit in process, or to the knowledge of DEF, or pending or threatened which resulted in or could result in a reassessment of taxes owing by DEF;
 - (ii) DEF has withheld in Canada and Mexico, as applicable, from each payment made to any of its present or former employees, officers and directors, and to all Persons who are non-residents of Canada for the purposes of the *Income Tax Act* (Canada), all amounts required by law and will continue to do so until the Effective Date and has remitted such withheld amounts within the prescribed periods to the appropriate governmental authority;
 - (jj) DEF has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health taxes and other taxes payable by it in respect of its employees and has or will have remitted such amounts to the proper governmental authority within the time required by applicable law;
 - (kk) DEF has charged, collected and remitted on a timely basis all taxes as required by applicable law on any sale, supply or delivery whatsoever, made by them;
 - (ll) DEF is not indebted to any of its directors, officers, employees or consultants, any of its shareholders or any of their respective associates or affiliates;
 - (mm) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which DEF is a Party or by which it is otherwise bound that would now or hereafter in any way may limit the business or operations of DEF in a particular manner or to a particular locality or geographic region or for a specified period of time and the execution, delivery and performance of this Agreement does not and will not result in any restriction of DEF from engaging in its business or from competing with any Person or in any geographic area;
 - (nn) DEF is not a Party to, nor are any of its properties or assets subject to any agreement or other provision which result in a default under, a right to accelerate any payment or terminate any rights arising, whether or not on notice and whether or not following a passage of time, as a result of the entering into of this Agreement or the completion of the Arrangement;
 - (oo) DEF has no rights to purchase any assets, properties or undertakings, nor has any obligation to sell assets, properties or undertakings, under any agreements to purchase or sell that have not closed;
 - (pp) to the knowledge of DEF, DEF has not withheld from VRO any material information or documents concerning DEF or its assets or liabilities during the course of VRO's review of DEF and its assets;
 - (qq) DEF is not bound by any agreement, guarantee, indemnification (other than to officers and directors pursuant to DEF's articles and standard indemnity agreements), or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any Person;
 - (rr) the DEF Shares are a class of securities not registered or required to be registered pursuant to section 12 of the U.S. Exchange Act, no other class of DEF securities are so registered or required to be registered and DEF does not have a reporting obligation under Section 15(d) of the U.S. Securities Act and DEF has never had a class of securities registered or required to be registered under Section 12 of the U.S. Exchange Act nor has it ever had a reporting obligation under Section 15(d) of the U.S. Securities Act;

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- (ss) DEF is a “foreign private issuer” within the meaning of Rule 405 of Regulation C adopted by the United States Securities and Exchange Commission under the U.S. Securities Act;
 - (tt) DEF is not registered or required to be registered as an “investment company” under the United States Investment Company Act of 1940, as amended;
 - (uu) the principal offices of DEF are not located within the United States of America and DEF has no, and has never had any, operations in the United States of America;
 - (vv) there are no accrued bonuses payable to any officers, directors, employees or consultants of DEF;
 - (ww) the DEF Board has, or will have by Closing, endorsed the Arrangement;
 - (xx) DEF has not waived the applicability of any “standstill” or other provisions of any confidentiality agreements entered into by DEF which have not automatically expired by their terms;
 - (yy) DEF is not a Party to and, prior to the Effective Date, DEF will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire DEF Shares or other securities of DEF or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or the Arrangement;
 - (zz) to the knowledge of DEF, none of the DEF Shares are the subject of any escrow, voting trust or other similar agreement;
 - (aaa) to the knowledge of DEF, all accounts receivable in any material amount of DEF are collectible, subject to any provisions for bad debts as set forth in the DEF Financial Statements; and
 - (bbb) the Arrangement is not a Non-Arm’s Length Transaction (as defined under the policies of the TSXV) or such other transaction that would require the majority of the minority approval of the Arrangement by the DEF Shareholders.

4.2 **Representations and Warranties of VRO**

VRO represents and warrants, as of the Agreement Date, to and in favour of DEF as follows (such representations and warranties also applying, where applicable, to the VRO Subsidiaries) and acknowledges that DEF is relying upon such representations and warranties in connection with the matters contemplated by this Agreement that, except as set out in the VRO Disclosure Letter:

- (a) VRO is duly incorporated, is validly subsisting under the laws of its jurisdiction of incorporation, and has the requisite corporate power and capacity to carry on its business as it is now being conducted;
- (b) VRO is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its 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 VRO;
- (c) VRO is a “reporting issuer” in material compliance with all applicable securities laws of all of the provinces of Canada except Quebec;

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- (d) the outstanding VRO Shares are listed on the TSXV and VRO is in material compliance with the policies and rules of the TSXV;
- (e) VRO has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder; the execution and delivery of this Agreement by VRO and the consummation by VRO of the transactions contemplated hereby have been duly authorized by VRO's board of directors and no other corporate proceedings on the part of VRO are or will be necessary to authorize this Agreement and the transactions contemplated hereby;
- (f) this Agreement has been duly executed and delivered by VRO and constitutes a legal, valid and binding obligation thereof enforceable against VRO in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;
- (g) neither the execution and delivery of this Agreement by VRO, the consummation by VRO of the transactions contemplated hereby nor compliance by VRO with any of the provisions hereof will:
- (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of VRO under, any of the terms, conditions or provisions of
 - (A) the articles or other constating documents of VRO, or
 - (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which VRO is subject or to which VRO's properties or assets, may be subject or by which VRO is bound; or
 - (ii) subject to compliance with Applicable Laws, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to VRO; or
 - (iii) cause a suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on VRO;
- (h) other than in connection with or in compliance with the provisions of Applicable Laws:
- (i) there is no legal impediment to VRO's consummation of the transactions contemplated by this Agreement; and
 - (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by VRO in connection with the consummation of the Arrangement, except for the TSXV, and such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect on VRO and would not have a Material Adverse Effect on the ability of VRO and DEF to consummate the transactions contemplated hereby;
- (i) VRO has authorized share capital of an unlimited number of VRO Shares and, as at the Agreement Date, VRO had issued and outstanding 21,720,447 VRO Shares and, other than as set out in VRO's Public Record, there are no outstanding VRO Shares, VRO Options or
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VRO Warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by VRO of any VRO Shares or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any VRO Shares, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attributes of VRO and all outstanding VRO Shares have been duly authorized and are validly issued, as fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;

- (j) VRO has made all filings required under Applicable Laws with the applicable regulatory authorities, all such filings have been made in a timely manner, and all such filings and information and statements contained therein and any other information or statements disseminated to the public by VRO, forming VRO's Public Record, were true, correct and complete in all material respects and did not contain any misrepresentation, as at the date of such information or statements, and VRO has not filed any confidential material change reports which continue to be confidential;
- (k) since the date of VRO's most recently filed financial statements forming part of its Public Record, there has not been any change, condition, event or occurrence that individually or in the aggregate, has resulted in or would reasonably be expected to result in Material Adverse Change in respect of VRO or has or would reasonable be expected to have a Material Adverse Effect on VRO;
- (l) VRO has no liabilities or obligations other than as disclosed in the Public Record and since the date of VRO's most recently filed financial statements, has incurred no liabilities or obligations other than in the ordinary course of its business;
- (m) the data and information in respect of VRO and its assets, liabilities, business and operations (taken as a whole) provided by VRO to DEF was and is complete, accurate and correct in all material respects as at the respective dates thereof and, in respect of any information provided or requested, did not knowingly omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof;
- (n) there are no actions, suits, proceedings or inquiries, including, to the knowledge of VRO, pending or threatened against or affecting VRO, at law or in equity, or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which would have a Material Adverse Effect on VRO, or may have a Material Adverse Effect on VRO or have a Material Adverse Effect on the ability of VRO and DEF to consummate the transactions contemplated hereby;
- (o) there are no agreements, arrangements, commitments, understandings, judgments, orders, warrants, writs, injunctions or decrees binding upon VRO that has or could have the effect of prohibiting or materially restricting or impairing any business practice of VRO, any acquisition of property or assets by VRO or the conduct of business by VRO;
- (p) since the date of VRO's most recently filed financial statements, VRO has not:
 - (i) amended its constating documents;
 - (ii) made any change in its accounting principles and practices as previously applied, including the basis upon which its assets and liabilities are recorded on its books and its earnings and profits and losses are ascertained; or

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- (iii) declared, paid or set aside for payment any dividend or distribution of any kind in respect of any of its outstanding securities nor made any repayments of capital to shareholders;
 - (q) since the date of VRO's most recently filed financial statements, VRO has conducted its business in all material respects in the ordinary course of business consistent with normal industry practice and has not taken any action that would be in violation of VRO's ordinary and historical business practices, other than violations which would not have a Material Adverse Effect on VRO or would materially affect VRO's ability to consummate the transactions contemplated hereby;
 - (r) VRO has complied with and is in compliance with all Applicable Laws, its constating documents and all material contracts, agreements and instruments to which it is subject, except where such non-compliance would not, considered individually or in the aggregate, result in a Material Adverse Change in relation to VRO, or materially affect the ability of VRO to consummate the transactions contemplated hereby;
 - (s) no director, officer, insider or other non-arm's length party of VRO (or any affiliate thereof) is a Party to any material contract or transaction with, or is indebted to, VRO;
 - (t) no action or proceeding has been commenced or filed by or against VRO or which seeks or may lead to receivership, bankruptcy, a commercial proposal or similar proceeding of VRO, the adjustment or compromise of claims against it or the appointment of a trustee, receiver, liquidator, custodian or other similar officer for VRO or any portion of its assets. No such action or proceeding has been authorized or is being considered by or on behalf of VRO and no creditor or equity securityholder of VRO has threatened to commence or advised that it may commence, any such action or proceeding;
 - (u) VRO has not made, nor is it considering making, an assignment for the benefit of its creditors, and has not requested, nor is it considering requesting, a meeting of its creditors to seek a reduction, compromise, composition or other accommodation with respect to its indebtedness;
 - (v) VRO's Public Record is complete, accurate and up-to-date and no material change has occurred in the business, operations, affairs or capital of VRO that has not been disclosed to DEF in writing;
 - (w) the VRO Financial Statements fairly present, in accordance with IFRS, consistently applied (except as specifically provided in the notes to such statements), the financial position and condition of VRO at the dates thereof and the results of the operations of VRO for the periods then ended and reflect all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of VRO as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end adjustments);
 - (x) no securities commission or similar regulatory authority, or stock exchange in Canada or the United States of America has issued any order which is currently outstanding preventing or suspending trading in any securities of VRO or prohibiting the transactions contemplated hereby, no such proceeding is, to the knowledge of VRO, pending, contemplated or threatened (other than that the VRO Shares may be halted upon announcement of this Agreement until completion of the Arrangement), and VRO is not in default of any requirement of any securities laws, rules or policies applicable to VRO or its securities;
 - (y) VRO has not retained any financial advisor, broker, agent or finder, or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement or the
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Arrangement, any transaction contemplated hereby, or any transaction presently ongoing or contemplated;

- (z) the minute books, books of account and other records of VRO (whether of a financial or accounting nature or otherwise) have been maintained in accordance with, in all material respects, all applicable statutory requirements and prudent business practice and are complete and accurate in all material respects;
- (aa) other than as has been negotiated and agreed to by DEF, VRO has no liability or obligation to pay any amount (including any severance, termination or bonus payment resulting from the Arrangement or the change of control of VRO) to any current or former officer, director, employee, consultant other than for salary in the ordinary course;
- (bb) VRO is not aware of, and has not received any order or directive which relates to environmental matters or any demand or notice with respect to the breach of any environmental, health or safety law applicable to VRO;
- (cc) all tax returns required to be filed by or on behalf of VRO have been duly filed on a timely basis and such tax returns are true, complete and correct in all material respects and all taxes shown to be payable on the tax returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and, to the knowledge of VRO, no other taxes are payable by VRO with respect to items or periods covered by such tax returns;
- (dd) VRO has paid or provided adequate accruals in the VRO Financial Statements for taxes, including current income taxes and future taxes, in conformity with IFRS;
- (ee) no material deficiencies exist or have been asserted with respect to taxes;
- (ff) VRO is not a Party to any action or proceeding for assessment or collection of taxes, nor has such event been asserted or threatened against VRO or any of its assets;
- (gg) no waiver or extension of any statute of limitations is in effect with respect to taxes or tax returns of VRO;
- (hh) the tax returns of VRO have never been audited by a government or taxing authority, nor is any such audit in process, or to the knowledge of VRO, or pending or threatened which resulted in or could result in a reassessment of taxes owing by VRO;
- (ii) VRO has withheld in Canada, United States of America and Mexico, as applicable, from each payment made to any of its present or former employees, officers and directors, and to all Persons who are non-residents of Canada for the purposes of the *Income Tax Act* (Canada), all amounts required by law and will continue to do so until the Effective Date and has remitted such withheld amounts within the prescribed periods to the appropriate governmental authority;
- (jj) VRO has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health taxes and other taxes payable by it in respect of its employees and has or will have remitted such amounts to the proper governmental authority within the time required by applicable law;
- (kk) VRO has charged, collected and remitted on a timely basis all taxes as required by applicable law on any sale, supply or delivery whatsoever, made by them;

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- (ll) VRO is not indebted to any of its directors, officers, employees or consultants, any of its shareholders or any of their respective associates or affiliates except as disclosed in the Public Record;
 - (mm) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which VRO is a Party or by which it is otherwise bound that would now or hereafter in any way may limit the business or operations of VRO in a particular manner or to a particular locality or geographic region or for a specified period of time and the execution, delivery and performance of this Agreement does not and will not result in any restriction of VRO from engaging in its business or from competing with any Person or in any geographic area;
 - (nn) VRO is not a Party to, nor are any of its properties or assets subject to any agreement or other provision which result in a default under, a right to accelerate any payment or terminate any rights arising, whether or not on notice and whether or not following a passage of time, as a result of the entering into of this Agreement or the completion of the Arrangement;
 - (oo) VRO has no rights to purchase any assets, properties or undertakings nor has any obligation to sell assets, properties or undertakings, under any agreements to purchase or sell that have not closed;
 - (pp) to the knowledge of VRO, VRO has not withheld from DEF any material information or documents concerning VRO or its assets or liabilities during the course of DEF's review of VRO and its assets;
 - (qq) VRO is not bound by any agreement, guarantee, indemnification (other than to officers and directors pursuant to VRO's articles and standard indemnity agreements), or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any Person;
 - (rr) the VRO Shares are a class of securities not registered or required to be registered pursuant to section 12 of the U.S. Exchange Act, no other class of VRO securities are so registered or required to be registered and VRO does not have a reporting obligation under Section 15(d) of the U.S. Securities Act and VRO has never had a class of securities registered or required to be registered under Section 12 of the U.S. Exchange Act nor has it ever had a reporting obligation under Section 15(d) of the U.S. Securities Act;
 - (ss) VRO is a "foreign private issuer" within the meaning of Rule 405 of Regulation C adopted by the United States Securities and Exchange Commission under the U.S. Securities Act;
 - (tt) VRO is not registered or required to be registered as an "investment company" under the United States Investment Company Act of 1940, as amended;
 - (uu) the principal offices of VRO are not located within the United States of America and VRO has no operations in the United States of America;
 - (vv) there are no accrued bonuses payable to any officers, directors, employees or consultants of VRO;
 - (ww) the VRO Board has, or will have by Closing, endorsed the Arrangement;
 - (xx) VRO has not waived the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by VRO which have not automatically expired by their terms;

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- (yy) VRO is not a Party to and, prior to the Effective Date, VRO will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire VRO Shares or other securities of VRO or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or the Arrangement;
 - (zz) to the knowledge of VRO, none of the VRO Shares are the subject of any escrow, voting trust or other similar agreement;
 - (aaa) to the knowledge of VRO, all accounts receivable in any material amount of VRO are collectible, subject to any provisions for bad debts as set forth in the VRO Financial Statements; and
 - (bbb) the Arrangement is not a Non-Arm's Length Transaction (as defined under the policies of the TSXV) or such other transaction that would require the majority of the minority approval of the Arrangement by the VRO Shareholders.

5. CONDITIONS OF CLOSING

5.1 **Conditions of Closing.** The respective obligations of the Parties hereto to consummate the transactions contemplated hereby, and in particular the Arrangement, ("**Closing**") are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (i) receipt of all regulatory approvals, including the TSXV,
- (ii) receipt by DEF of VRO Support Agreements representing such number of outstanding VRO Securities held by material VRO Shareholders as VRO can obtain using commercially reasonable efforts;
- (iii) receipt of the Interim Order and the Final Order,
- (iv) the Financing, if completed, shall have been completed for such minimum gross proceeds as the Parties may agree;
- (v) the VRO Shareholders passing the Arrangement Resolution; and
- (vi) any severance or termination payments resulting from the Arrangement payable to a VRO director, officer, employee or consultant will be negotiated to the satisfaction of both VRO and DEF and be payable by the issuance and delivery of DEF Shares.

The foregoing conditions are for the mutual benefit of the Parties and may be asserted by each regardless of the circumstances and may be waived by each in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which either may have. If any of such conditions shall not be complied with or waived prior to the Closing, then, subject to section 8.2 **Error! Reference source not found.** hereof, a Party hereto may rescind and terminate this Agreement by written notice to the other Party if the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by such rescinding Party.

6. NON-COMPLETION FEE

6.1 **Non-Completion Fee Payable by VRO.** If at any time after the Agreement Date and prior to termination hereof, either of the following occur:

- (a) VRO accepts, recommends, approves or enters into an agreement with respect to an Acquisition Proposal (other than this Agreement) prior to completion of the Arrangement; or
- (b) another bona fide Acquisition Proposal is publicly announced or made to all or substantially all holders of VRO Shares or to VRO and such Acquisition Proposal is completed within six months of the date such Acquisition Proposal is publicly announced or made;

then VRO shall pay an amount equal to \$217,204 (the “**VRO Non-Completion Fee**”) to or to an account designated by DEF within ten Business Days after the first to occur of one of the events described above in this section 6.1. For avoidance of doubt, the VRO Non-Completion Fee shall only be required to be paid to DEF once pursuant to the foregoing provisions.

If at any time after the Agreement Date and prior to termination hereof, VRO shall have taken any action or have failed to take any action that causes a Material Adverse Change in respect of VRO or materially impedes completion of this Agreement or results in VRO being in breach of any of its covenants, agreements, representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change in respect of VRO or materially impede the completion of the Arrangement, and VRO fails to cure such breach within ten Business Days after receipt of written notice thereof from DEF (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date), then VRO shall pay the VRO Non-Completion Fee to or to an account designated by DEF within ten Business Days after failing to cure such breach.

6.2 **Liquidated Damages.** Each of the Parties acknowledges and agrees that the payment amounts set out in section 6.1 are payment of liquidated damages which are a genuine pre-estimate of the damages which DEF will suffer or incur as a result of the event giving rise to such damages and, when applicable, resultant termination of this Agreement, and are not penalties. Each of the Parties irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For avoidance of doubt, each Party agrees that the payment of the amount pursuant to section 6.1 is the sole monetary remedy of the Party receiving such payment provided, however, that this limitation shall not apply in the event of fraud or wilful breach of this Agreement by a Party. Furthermore, nothing herein shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement, or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

7. TRANSITIONAL PROVISIONS

7.1 **Transitional Provisions.** In connection with the implementation of the Arrangement, VRO shall cooperate with DEF to provide an orderly transition of control. To the extent that it is not restricted from doing so pursuant to confidentiality or other restrictions (which it will use reasonable commercial efforts to obtain a waiver or consent from), VRO shall provide access to its books and records to officers and employees of DEF and the officers of VRO shall consult with the officers of DEF (as they may reasonably request) in respect of the day-to-day operations of VRO, both during normal business hours on reasonable notice following the Agreement Date. VRO shall provide to DEF information which will allow DEF to enable DEF to efficiently integrate the business and affairs of VRO with DEF on completion of the Arrangement and in connection therewith shall

permit, during normal business hours on reasonable notice following the Agreement Date, DEF and its representatives:

- (a) to have reasonable access to VRO's premises, records, computer systems and employees;
- (b) to interview employees of VRO if they wish for the purpose of determining which employees, if any, will be retained after completion of the Arrangement; and
- (c) to be informed of the operations of VRO to ensure compliance with section 3.3 hereof.

VRO shall keep DEF fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising after the Agreement Date that would be relevant and material to VRO. VRO shall confer with and obtain the approval of DEF (not to be unreasonably withheld or delayed) prior to taking action (other than in emergency situations) with respect to any material matters involved in VRO's operations

8. AMENDMENT AND TERMINATION OF AGREEMENT

8.1 **Amendment.** This Agreement may at any time and from time to time be amended by written agreement of the Parties without, subject to applicable law, further notice to or authorization on the part of their respective securityholders, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein,

provided that no such amendment decreases the number of DEF Shares to be received by VRO Shareholders pursuant to the Arrangement without approval by the VRO Shareholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

8.2 Termination.

- (a) This Agreement may, prior to the Effective Date, be terminated by mutual written agreement of DEF and VRO without further action on the part of their respective securityholders.
- (b) Notwithstanding any other rights contained herein, DEF may terminate this Agreement upon written notice to VRO if:
 - (i) the Arrangement Resolution is not passed by the VRO Securityholders on or before the Outside Date;
 - (ii) the Final Order has not been granted in form and substance satisfactory to DEF, acting reasonably, on or prior to the Outside Date or, if issued, has been set aside or modified in a manner unacceptable to DEF, acting reasonably, on appeal or otherwise;
 - (iii) the Arrangement has not become effective on or before the Outside Date;
 - (iv) the VRO Non-Completion Fee is payable in accordance with section 6.1 hereof;
 - (v) a Material Adverse Change in respect of VRO shall have occurred after the Agreement Date;

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- (vi) VRO shall be in breach of any of its covenants, representations and warranties contained herein that would have a Material Adverse Effect on VRO or on the ability of VRO and DEF to consummate the Arrangement and VRO fails to cure such breach within ten Business Days after receipt of written notice thereof from DEF (except that no cure period shall be provided for a breach which by its nature cannot be cured); or
 - (vii) upon a right of termination of this Agreement by DEF arising pursuant to section 3.2 hereof.
- (c) Notwithstanding any other rights contained herein, VRO may terminate this Agreement upon written notice to DEF if:
- (i) the Arrangement Resolution is not passed by the VRO Securityholders on or before the Outside Date, provided that VRO was not otherwise in default hereunder which default contributed to the failure to use reasonable commercial efforts to obtain such approval;
 - (ii) the Final Order has not been granted in form and substance satisfactory to VRO, acting reasonably, on or prior to the Outside Date or, if issued, has been set aside or modified in a manner unacceptable to VRO, acting reasonably, on appeal or otherwise;
 - (iii) the Arrangement has not become effective on or before the Outside Date;
 - (iv) the VRO Non-Completion Fee is payable in accordance with section 6.1 hereof and is paid by VRO;
 - (v) a Material Adverse Change in respect of DEF shall have occurred after the Agreement Date;
 - (vi) DEF shall be in breach of any of its covenants, representations and warranties contained herein that would have a Material Adverse Effect on DEF or on the ability of DEF and VRO to consummate the transactions contemplated hereby and DEF fails to cure such breach within ten Business Days after receipt of written notice thereof from VRO (except that no cure period shall be provided for a breach which by its nature cannot be cured); or
 - (vii) upon a right of termination of this Agreement by VRO arising pursuant to section 3.1 hereof.
- (d) If this Agreement is terminated pursuant to any provision of this Agreement, the Parties shall return all materials and copies of all materials delivered to VRO or DEF, as the case may be, or their agents. Except for the obligations set forth in sections 6.1 and 6.2, which shall survive any termination of this Agreement and continue in full force and effect, no Party shall have any further obligations to any other Party with respect to this Agreement.

9. GENERAL PROVISIONS

9.1 **Notices.** Any notice, demand or communication required or permitted to be given under this Agreement shall be in writing and delivered by pre-paid mail, delivery or electronic mail transmission, to the Party to which it is to be given as follows or, if the Party to which it is to be delivered has changed their physical or email address given below, to such new address as such Party has communicated to the other Party as at the time of the notice, demand or communication being sent:

If to DEF:

Defiance Silver Corp.
Suite 2300 – 1177 W. Hastings Street, Vancouver British Columbia V6E 2K3
Attention: Peter Hawley, CEO
e-mail: phawley@scorpiogold.com

If to VRO:

ValOro Resources Inc.
Suite 704 – 595 Howe Street, Vancouver, British Columbia V6C 2T5
Attention: Dunham Craig, CEO
e-mail: dunham@valoro.ca

or to such other address as a Party may specify by notice given in accordance with this section. Any such notice, request, demand or communication given shall be deemed to have been given, in the case of delivery by hand, when delivered; in the case of mail, five Business Days following the date of mailing; and in the case of email, on the first Business Day following the date of transmission.

9.2 **Press Releases.** From time to time the Parties may issue press releases and otherwise publicly disclose the existence of this Agreement, its terms and conditions and the transactions contemplated hereby as may be required by applicable law, regulations or policy statements of governmental and other regulatory authorities, including the TSXV. Each Party shall use reasonable commercial efforts to consult and agree with the other Party on the disclosure in, and the timing of issuance of, such press releases and other public disclosure.

9.3 **Further Assurances.** Each of the Parties shall execute and deliver all such further documents and do such further acts and things as may be reasonably required from time to time to give effect to this Agreement.

9.4 **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties pertaining to the Arrangement and supersedes all prior agreements, undertakings, negotiations and discussions whether oral or written, of the Parties, and there are no warranties, representations, covenants or agreements between the Parties except as set forth herein.

9.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of British Columbia and the Parties to this Agreement submit and attorn to the exclusive jurisdiction of the courts of British Columbia.

9.6 **Invalidity of Provisions.** Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision thereof.

9.7 **Waiver and Amendment.** Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

9.8 **Enurement.** This Agreement shall enure to the benefit of and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

9.9 **Counterparts and Delivery.** This Agreement may be executed in counterparts and delivered in electronic form, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed effective the date first above written.

DEFIANCE SILVER CORP.

Per: "*signed*"

VALORO RESOURCES INC.

Per: "*signed*"

SCHEDULE A

PLAN OF ARRANGEMENT

INVOLVING

DEFIANCE SILVER CORP.

and

VALORO RESOURCES INC.

UNDER THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

DEFINITIONS AND INTERPRETATION

In this Plan of Arrangement, capitalized terms have the meanings ascribed thereto in the Arrangement Agreement, otherwise the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

“**Arrangement Agreement**” means the arrangement agreement between DEF and VRO dated November 5, 2018, as the same may be amended, amended and restated, modified or supplemented at any time or from time to time, including all Schedules thereto;

“**DEF**” means Defiance Silver Corp., a corporation currently existing under the laws of the Province of British Columbia;

“**parties**” means DEF and VRO, and “**party**” means any one of them;

“**Transfer Agent**” means TSX Trust Company, the transfer agent for DEF;

“**VRO**” means ValOro Resources Inc., a corporation incorporated under the laws of the Province of British Columbia.

In this Plan of Arrangement, unless otherwise expressly stated:

the division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement;

the words “hereunder”, “hereof” and similar expressions refer to this Plan of Arrangement and not to any particular article, section or subsection and references to “articles”, “sections” and “subsections” are to articles, sections and subsections of this Plan of Arrangement;

words importing the singular include the plural and vice versa, and words importing gender include all genders;

the word “including” shall not be exclusive, but shall mean “includes” or “including, without limiting the generality of the foregoing”;

references to sums of money are expressed in lawful money of Canada; and

to any statute or sections thereof referenced herein shall include such statute as amended or substituted and any regulations promulgated thereunder.

ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.2 Subject to the terms of the Arrangement Agreement, the Arrangement will become effective at the Effective Time and be binding at and after the Effective Time on: (i) DEF, (ii) VRO, and (iii) the VRO Securityholders.

ARRANGEMENT

3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following sequential order without any further act or formality except as otherwise provided herein:

(a) each VRO Shareholder who is a Dissenting Shareholder (as defined in section 5.3) at the Effective Time shall dispose of all of his Dissent Shares and in consideration therefor DEF shall issue to the Dissenting Shareholder a debt-claim against VRO to be paid the aggregate Fair Value of those Dissent Shares in accordance with 0 of this Plan of Arrangement and thereupon the Dissent Shares shall be cancelled and an amount equal to the share capital attributable to such cancelled Dissent Shares shall be subtracted from the share capital of the VRO Shares;

each VRO Share held by a VRO Shareholder shall, as of the Effective Time, be transferred to DEF and each VRO Shareholder shall receive 0.71 DEF Shares for each VRO Share held by such VRO Shareholder;

each VRO Warrant outstanding immediately prior to the Effective Time and not exercised will be exchanged for a DEF Replacement Warrant exercisable for such number of DEF Shares determined as 0.71 DEF Shares for each VRO Share that such VRO Warrant was exercisable for immediately prior to giving effect to the Arrangement and, except as so provided, such DEF Replacement Warrant will thereafter have the same terms and conditions with respect to exercise price, expiry date and otherwise as were applicable in respect of such VRO Warrant immediately prior to giving effect to the Arrangement and thereupon the VRO Warrants so exchanged will be cancelled;

each VRO Option outstanding immediately prior to the Effective Time and not exercised will be exchanged for a DEF Replacement Option exercisable for such number of DEF Shares determined as 0.71 DEF Shares for each VRO Share that such VRO Option was exercisable for immediately prior to giving effect to the Arrangement and, except as so provided, such DEF Replacement Option will thereafter have the same terms and conditions with respect to exercise price, expiry date and otherwise as were applicable in respect of such VRO Option immediately prior to giving effect to the Arrangement and thereupon the VRO Options so exchanged will be cancelled; and

VRO shall continue as a wholly-owned subsidiary of DEF.

3.2 The parties shall make the appropriate entries in their respective securities registers to reflect the matters referred to in section 0.

3.3 With respect to each VRO Shareholder at the Effective Time, upon the transfer of each VRO Share pursuant to subsection 0:

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- (a) each such VRO Shareholder shall cease to be a holder of the VRO Share so transferred and the name of such VRO Shareholder shall be removed from the register of holders of VRO Shares as it relates to the VRO Share so transferred;

DEF shall be added to the register of holders of VRO Shares as it relates to the VRO Share so transferred to DEF; and

DEF shall allot and issue to such VRO Shareholder the number of DEF Shares issuable to such VRO Shareholder on the basis set forth in subsection 0 and the name of such VRO Shareholder shall be added to the register of holders of DEF Shares.

3.4 With respect to each holder of VRO Warrants at the Effective Time, upon the exchange and cancellation of each of the VRO Warrants pursuant to subsection 0:

- (a) each such holder of VRO Warrants shall cease to be a holder of the VRO Warrants so exchanged and cancelled and the name of such holder shall be removed from the register of holders of VRO Warrants as it relates to the VRO Warrant so exchanged and cancelled; and

DEF shall allot and issue to such holder the number and class of DEF Replacement Warrants issuable to such holder on the basis set forth in subsection 0 and the name of such holder shall be added to the register of holders of DEF Replacement Warrants.

3.5 With respect to each holder of VRO Options at the Effective Time, upon the exchange and cancellation of each of the VRO Options pursuant to subsection 0:

- (a) each such holder of VRO Options shall cease to be a holder of the VRO Options so exchanged and cancelled and the name of such holder shall be removed from the register of holders of VRO Options as it relates to the VRO Option so exchanged and cancelled; and

- (b) DEF shall allot and issue to such holder the number and class of DEF Replacement Options issuable to such holder on the basis set forth in subsection 0 and the name of such holder shall be added to the register of holders of DEF Replacement Options.

3.6 DEF shall be entitled to deduct and withhold from any consideration or amount payable to any Person such amounts as DEF is required or permitted to deduct and withhold with respect to such consideration or payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate governmental authority. To the extent that the amount so required to be deducted or withheld from any payment to a Person exceeds the consideration otherwise payable to the Person, DEF is hereby authorized to sell or otherwise dispose of any property or amount otherwise payable to such Person to the extent necessary to provide sufficient funds to DEF to enable it to comply with such deduction or withholding requirement and DEF shall remit to such Person any unapplied balance of the net proceeds of such sale.

3.7 The Arrangement shall be structured such that, assuming the Arrangement Resolutions are approved and the Final Order is obtained, the issuance of DEF Securities under the Arrangement will not require registration under the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, in reliance on Section 3(a)(10) thereof.

CLOSING PROCEDURES

4.1 From and after the Effective Time, certificates representing VRO Shares, VRO Options and VRO Warrants shall represent only the right to receive the consideration to which the holder of such VRO Securities is entitled under the Arrangement.

4.2 DEF shall cause its Transfer Agent to, as soon as practicable following the later of the Effective Date to electronically issue certificates representing the DEF Shares issuable under section 3.1(b) based on such documents and instruments as the Transfer Agent may reasonably require, including coordination with the transfer agent of VRO.

4.3 DEF's transfer agent shall register DEF Shares in the name of each former VRO Shareholder entitled thereto or as otherwise instructed by DEF and VRO.

4.4 DEF will issue DEF Replacement Warrant certificates and DEF Replacement Option certificates to the holders of VRO Warrants and VRO Options, in the name of each former holder thereof and shall deliver such DEF Replacement Warrant certificates and DEF Replacement Option certificates pursuant to the delivery instructions as set forth in the applicable register of VRO Warrants and VRO Options as maintained by VRO.

4.5 If any certificate which immediately prior to the Effective Time represented an interest in an outstanding VRO Security has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Transfer Agent or DEF, as applicable, shall deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement as determined in accordance with the Arrangement. The person who is entitled to receive such consideration may be required, as a condition precedent to the receipt thereof, to give a bond to each of the Transfer Agent and DEF, which bond is in form and substance satisfactory to each of the Transfer Agent and DEF or shall otherwise indemnify the Transfer Agent and DEF against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.6 Notwithstanding anything herein contained, no fractional DEF Securities will be issued. In the event that a holder would otherwise be entitled to a fractional DEF Security hereunder, the number of DEF Securities issued to such holder shall be rounded up to the next greater whole number of DEF Securities, as applicable, if the fractional entitlement is equal to or greater than 0.5, and shall, without any additional compensation, be rounded down to the next lesser whole number of DEF Securities if the fractional entitlement is less than 0.5. In calculating such fractional interests, all VRO Securities of each class registered in the name of or beneficially held by such VRO Securityholder or its nominee shall be aggregated.

4.7 All dividends or other distributions made in respect of DEF Shares to which a former VRO Shareholder is entitled in accordance with the terms of the Arrangement, but for which a certificate representing either the DEF Shares has not been delivered to such VRO Shareholder in accordance with this 0, shall be paid or delivered to the Transfer Agent to be held in trust for such VRO Shareholder for delivery to such shareholder, net of all applicable withholding and other taxes, upon delivery of the certificate in accordance with this 0.

DISSENT RIGHTS

5.1 Each registered VRO Shareholder shall have the right (the VRO Shareholder's "**Dissent Rights**") to dissent from the Arrangement and be paid the Fair Value for his VRO Shares provided that the VRO Shareholder exercises the holder's Dissent Rights:

- (a) in respect of all, and not less than all, of the VRO Shareholder's VRO Shares, and
- (b) strictly in accordance with the rules and procedures set out in subsection 5.2 below.

5.2 The rules and procedures (the “**Dissent Procedures**”) by which a VRO Shareholder may exercise Dissent Rights are those set out in Division 2 of Part 8 of the BCBCA, provided that no VRO Shareholder who votes in favour of the Arrangement Resolution may exercise Dissent Rights or be a Dissenting VRO Shareholder.

5.3 Each registered VRO Shareholder who validly exercises Dissent Rights in respect of all, and not less than all, of the VRO Shareholder’s VRO Shares and otherwise strictly acts in accordance with the Dissent Procedures, and whose Dissent Rights have not been withdrawn, revoked, or otherwise cancelled at or before the Effective Time (each such VRO Shareholder a “**Dissenting VRO Shareholder**”, and each of the Dissenting VRO Shareholder’s VRO Shares, a “**Dissent Share**”), shall participate in the Arrangement in the manner set out in paragraph 3.1(a) hereof.

5.4 The Fair Value of Dissent Shares shall be determined and, subject to section 5.6, paid in accordance with the rules, procedures, rights, and obligations set out in the BCBCA, and each payment by VRO to a Dissenting VRO Shareholder of the Fair Value of the Dissenting VRO Shareholder’s Dissent Shares shall be and be deemed to be in full, final, and conclusive payment, accord, and satisfaction of the debt claim issued to the Dissenting VRO Shareholder pursuant to paragraph 3.1(a) hereof, and all rights of every kind and description hereunder.

5.5 VRO hereby designates, in respect of each payment of the Fair Value of Dissent Shares to a Dissenting VRO Shareholder, the lesser of:

- (a) that portion of the payment that is deemed by subsection 84(3) of the Tax Act to be a taxable dividend paid by VRO to the VRO Dissenting Shareholder, and
- (b) the amount by which that deemed dividend exceeds VRO’s “low rate income pool” (as defined in subsection 89(1) of the Tax Act) at the time of payment,

to be an Eligible Dividend.

5.6 Each payment by VRO to a Dissenting VRO Shareholder in accordance herewith shall be subject to, and be paid net of, all withholding taxes applicable to the payment pursuant Part XIII of the Tax Act.

AMENDMENTS

6.1 DEF and VRO may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) approved by the Parties; (iii) filed with the Court and, if made following the execution of the VRO Arrangement Resolutions, approved by the Court; and (iv) communicated to the VRO Shareholders, if and as required by the Court.

6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by DEF and VRO at any time (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and, subject to any approval of VRO Securityholders required by the Court, shall become part of this Plan of Arrangement for all purposes.

6.3 Any amendment to this Plan of Arrangement that is approved by the Court following the approval of the Arrangement Resolutions shall be effective only: (a) if it is consented to by each of VRO and DEF; and (b) if required by the Court or applicable law, it is consented to by the VRO Securityholders.

6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time by DEF, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of DEF, is of an administrative nature required to

better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any former VRO Securityholders.

ADDITIONAL STEPS

7.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

7.2 Subject to the terms of the Arrangement Agreement, DEF and VRO may agree not to implement the Plan, notwithstanding the approval of the resolutions authorizing the Arrangement and the receipt of the Final Order.

SCHEDULE B

ARRANGEMENT RESOLUTION

BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The arrangement (the “Arrangement”) under section 288 of the *Business Corporations Act* (British Columbia) (the “BCBCA”) involving Defiance Silver Corp. (“Defiance”) and ValOro Resources Inc. (“VRO”), all as more particularly described and set forth in the Management Information Circular (the “Circular”) of VRO dated November 5, 2018 accompanying the notice of this meeting (as the Arrangement may be modified, supplemented or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement, as it may be or has been amended (the “Plan of Arrangement”), involving Defiance and VRO, implementing the Arrangement, the full text of which is set out in Schedule B to the Circular (as the Plan of Arrangement may be, or may have been, modified, supplemented or amended), is hereby approved and adopted.
3. The arrangement agreement (the “Arrangement Agreement”) dated November 5, 2018 between Defiance and VRO, the actions of the directors of VRO in approving the Arrangement, and the actions of the officers of VRO in executing and delivering the Arrangement Agreement and any amendments thereto, are hereby ratified and approved.
4. VRO is authorized to apply for a final order from the Supreme Court of British Columbia to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be, or may have been, amended, modified or supplemented and as described in the Circular).
5. Notwithstanding that this resolution has been passed (and the Arrangement thereby adopted pursuant to the BCBCA) by the shareholders of VRO or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of VRO are hereby authorized and empowered, without further notice to, or approval of, the shareholders of VRO:
 - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
 - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
6. Any director or officer of VRO is hereby authorized and directed for and on behalf of VRO to execute, whether under corporate seal of VRO or otherwise, and to deliver such documents as are necessary or desirable to give effect to the Arrangement.
7. Any director or officer of VRO is hereby authorized, for and on behalf and in the name of VRO, to execute and deliver, whether under corporate seal of VRO or otherwise, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to the foregoing resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
 - (a) all actions required to be taken by or on behalf of VRO, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
 - (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by VRO,

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.