

**Cenovus Marten Hills Partnership**  
("Vendor")

- and -

**Cenovus Energy Inc.**  
("Warranting Party")

- and -

**Headwater Exploration Inc.**  
("Purchaser")

**PURCHASE AND SALE AGREEMENT**

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Marten Hills Area, Alberta

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DATE: November 8, 2020

## TABLE OF CONTENTS

ARTICLE 1 INTERPRETATION .....	1
ARTICLE 2 SALE OF ASSETS AND RELATED MATTERS .....	24
ARTICLE 3 CLOSING .....	29
ARTICLE 4 REPRESENTATIONS AND WARRANTIES.....	36
ARTICLE 5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.....	51
ARTICLE 6 OTHER COVENANTS .....	52
ARTICLE 7 .....	58
ARTICLE 8 PRIVACY .....	58
ARTICLE 9 CONDITIONS OF CLOSING.....	60
ARTICLE 10 REQUIRED APPROVALS.....	62
ARTICLE 11 DISPUTE RESOLUTION .....	65
ARTICLE 12 PROJECTIONS .....	66
ARTICLE 13 INDEMNITY .....	67
ARTICLE 14 PROPRIETARY INFORMATION .....	72
ARTICLE 15 ADJUSTMENTS.....	73
ARTICLE 16 MISCELLANEOUS .....	78

**PURCHASE AND SALE AGREEMENT  
MARTEN HILLS AREA, ALBERTA**

THIS AGREEMENT made as of the 8<sup>th</sup> day of November, 2020

AMONG:

**Cenovus Marten Hills Partnership**, a general partnership registered to carry on business in the Province of Alberta and having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Vendor**")

- and -

**Cenovus Energy Inc.** a body corporate registered to carry on business in the Province of Alberta and having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Warranting Party**")

- and -

**Headwater Exploration Inc.**, a body corporate registered to carry on business in the Province of Alberta and having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Purchaser**")

WHEREAS Vendor has agreed to sell the Assets to Purchaser and Purchaser has agreed to purchase the Assets from Vendor on the terms and conditions set forth herein;

AND WHEREAS Warranting Party is a party to this Agreement for the sole purpose of representing and warranting and related indemnities in the manner set forth herein;

NOW THEREFORE in consideration of the premises and the mutual covenants and warranties herein contained, the Parties agree as follows:

**Article 1  
INTERPRETATION**

1.01 **Definitions.** In this Agreement, including the recitals and the Schedules, the following terms have the following meanings:

- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations under equity, common law, the Title and Operating Documents and/or the Regulations:
  - (i) to abandon the Wells together with the restoration, remediation and reclamation of the surface sites thereof and

any other lands now or previously used to gain access thereto;

- (ii) to decommission and remove the Tangibles, including associated foundations and structures together with the restoration, remediation and reclamation of the Lands or lands pooled or unitized therewith, on or in which any of the Tangibles are or were located and any other lands used to gain access thereto; and
- (iii) to restore, remediate and reclaim the surface or subsurface of any lands other than those lands described in paragraphs (i) and (ii) and specifically relating to, used or previously used to gain access to the Assets or assets or property previously owned by Vendor or any predecessor in interest in the Lands (to the extent Vendor or any predecessor in interest maintains any liability for restoring, remediating and reclaiming such lands), including the lands to which the Surface Rights relate;

all in compliance with generally accepted oil and gas industry practices and in compliance with the Regulations, including such obligations relating to wells, pipelines and facilities and other tangible depreciable property that were abandoned, removed or decommissioned prior to the Effective Time;

- (b) "**Accounting Firm**" means a nationally or internationally recognized firm of Chartered Accountants as may be mutually selected by the Parties;
- (c) "**ADRIC Rules**" has the meaning set forth in Clause 11.01;
- (d) "**AER**" means the Alberta Energy Regulator;
- (e) "**AFEs**" means authorizations for expenditure, mail ballots, cash calls or other similar approvals issued pursuant to the Title and Operating Documents, or raised as a consequence of work required to be performed under the Regulations set out in Schedule F and those AFEs which are deemed to be in effect under the terms of the applicable Title and Operating Documents;
- (f) "**Affiliates**" means with respect to the relationship between corporations, that one of them is controlled by the other or that both of them are controlled by the same Person or body politic; and for this purpose a corporation shall be deemed to be controlled by those Persons or bodies politic who own or effectively control, other than by way of security only, sufficient voting shares of the corporation (whether directly through the ownership of shares of the corporation or indirectly through the ownership of shares of

another corporation which owns shares of the corporation), provided that a partnership which is a Party and which is comprised solely of corporations which are Affiliates, as described above, shall be deemed to be an Affiliate of each such corporation and its other Affiliates;

- (g) "**Agreement**" means this asset sale agreement between Vendor and Purchaser;
- (h) "**Applicable Securities Law**" means all applicable securities laws in each of the provinces and territories of Canada and the respective rules, regulations, instruments, blanket orders and blanket rulings under such laws of the Securities Regulatory Authorities;
- (i) "**Assets**" means the entire right, title and interest (whether direct or indirect and whether absolute or contingent, legal or beneficial or mixed) of Vendor (including the right, title and interest of Cenovus Energy Inc. that is to be conveyed to Vendor prior to Closing as contemplated by the Pre-Closing Reorganization) in and to the Petroleum Interests, Tangibles and the Miscellaneous Interests, but specifically excluding the Excluded Assets;
- (j) "**Base Cash Price**" has the meaning set forth in Clause 2.02(a);
- (k) "**Business Day**" means a day other than Saturday, Sunday or a statutory holiday in Calgary, Alberta;
- (l) "**Claim**" means any claim, action, lawsuit, demand, complaint, proceeding, notice of non-compliance or violation, grievance, indictment, allegation of legal wrongdoing, order or direction, arbitration or governmental investigation, assessment for Taxes or other amounts owed, action or cause or right of action, and includes any proceeding relating to any of the foregoing by or before any Governmental Authority;
- (m) "**Claims Threshold**" has the meaning set forth in Clause 13.06(a);
- (n) "**Closing**" means the transfer of the Assets to Purchaser, the payment by Purchaser of the Closing Payment, the delivery of the Equity Consideration by Purchaser to Vendor, and the delivery of all other items, documents and consideration required to be delivered on the Closing Date pursuant hereto;
- (o) "**Closing Date**" means the calendar date upon which Closing occurs, which date shall be the later of:
  - (i) December 22, 2020; and

- (ii) the date that is five (5) Business Days after the date the last of the Required Approvals have been obtained,
- or such other Business Day as may be agreed upon in writing by Vendor and Purchaser, provided that Closing shall occur no later than the End Date;
- (p) "**Closing Time**" means 10:00 am (Calgary time) on the Closing Date, unless otherwise agreed to by the Parties;
- (q) "**Closing Payment**" has the meaning set forth in Clause 2.04(a);
- (r) "**Commissioner**" means the Commissioner of Competition appointed under subsection 7(1) of the Competition Act or his or her designee;
- (s) "**Common Shares**" means the common shares of Purchaser as currently constituted;
- (t) "**Competition Act**" means the *Competition Act* (Canada) RSC, 1985, c. C-34;
- (u) "**Competition Act Approval**" shall mean, in respect of the Transaction, any of the following has occurred: (i) the issuance of an advance ruling certificate by the Commissioner under section 102(1) of the Competition Act; or (ii) confirmation in writing by the Commissioner that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the Transaction, and, either: (1) the applicable waiting period under subsection 123(1) of the Competition Act shall have expired or shall have been terminated under subsection 123(2) of the Competition Act, or (2) the obligation to submit a notification under Part IX of the Competition Act shall have been waived pursuant to paragraph 113(c) of the Competition Act;
- (v) "**Confidentiality Agreement**" means the Confidentiality Agreement dated August 11, 2020 between Vendor and Purchaser in connection with the purchase of the Assets by Purchaser from Vendor;
- (w) "**Consequential Losses**" means any consequential, incidental, special, exemplary or indirect losses or damages, costs or deferred profits or revenues, loss of business opportunity, lost profits, losses based on loss of use or other business interruption losses and damages, whether based on contract, tort, strict liability or otherwise, and whether or not arising from a Party's sole, joint or concurrent negligence, strict liability or other fault;

- (x) "**Deposit**" has the meaning set forth in Clause 2.03;
- (y) "**Development Agreement**" means an agreement for the development of certain of the Assets in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;
- (z) "**Effective Time**" means 8:00 am (Calgary time) on the 1<sup>st</sup> day of October, 2020;
- (aa) "**Elected Amounts**" has the meaning set forth in Clause 2.06;
- (bb) "**Electronic Signatures Agreement**" means the electronic signatures agreement in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;
- (cc) "**Encumbrance Discharge**" means, with respect to any registered mortgages, charges, pledges, liens, hypothecs, assignments by way or in effect as security, or other security interests affecting all or any portion of the Assets which is not a Permitted Encumbrance, one or more registrable discharges executed by the holder of such registered encumbrance which results in the discharge thereof, provided that a letter of no interest executed by the holder of such registered encumbrance or its successor wherein the holder or such successor acknowledges it has no interest in the subject Assets shall be deemed to be an Encumbrance Discharge;
- (dd) "**End Date**" means the 31<sup>st</sup> day of March, 2021, or such later date as agreed to in writing by the Parties;
- (ee) "**Environment**" means the atmosphere, the surface and subsurface of the earth, groundwater and surface water and plants and animals and "**Environmental**" means pertaining to the Environment;
- (ff) "**Environmental Liabilities**" means all Claims, Losses and Liabilities, whether arising under contract, the Regulations or otherwise, in respect of the Environment pertaining to or caused by the Assets, or assets or property previously owned by Vendor or its predecessors in interest in the Lands or resulting from operations conducted with respect to the Assets or such previously owned assets or which arise in connection with the ownership thereof or operations and activities pertaining thereto or on or in respect of the Lands, or any lands pooled or unitized therewith, whether or not occurring or arising before, on or after the Effective Time, including Claims, Losses and Liabilities associated with:

- (i) the manufacture, construction, processing, distribution, use, holding, collection, accumulation, generation, treatment, stabilization, storage, disposal, handling or transportation of Hazardous Substances, Petroleum Substances, oilfield wastes or produced water;
  - (ii) any seismic programs conducted on or in respect of the Lands, or any lands pooled or unitized therewith;
  - (iii) compliance with or the consequences of any non-compliance with, or violation or breach of past, present and future Regulations relating to the Environment or the protection thereof;
  - (iv) Abandonment and Reclamation Obligations;
  - (v) releases of Hazardous Substances, Petroleum Substances, oilfield wastes, produced water or other substances;
  - (vi) sampling, assessment and monitoring of the Environment;
  - (vii) the removal, assessment, monitoring, sampling, response, abatement, clean-up, investigation and reporting of contamination or pollution of or other adverse effects on the Environment, including compensation of Third Parties for Losses and Liabilities suffered by them in respect thereof; or
  - (viii) the protection, reclamation, remediation or restoration of the Environment, including related human health and safety;
- (gg) "**Equity Consideration**" means, collectively, (i) 50,000,000 Common Shares; and (ii) 15,000,000 Warrants to be issued to Vendor at Closing by Purchaser;
- (hh) "**ESTMA**" means the Extractive Sector Transparency Measures Act (Canada) RSC 2014, c. 39, s.376, as amended and any regulations made thereunder;
- (ii) "**Excluded Assets**" means:
- (i) the Royalty Interest;
  - (ii) those assets or interests listed in Schedule C;
  - (iii) Vendor's proprietary technology;
  - (iv) Vendor's proprietary pricing or Vendor's interpretations, forecasts or evaluations, including economic and pricing forecasts or evaluations;

- (v) Vendor's tax and financial records;
- (vi) custom applications or any integrations;
- (vii) any property or right which is owned or licensed by Third Parties (including any licensed seismic data) with restrictions on their deliverability or disclosure by Vendor to any assignee which is not an Affiliate of Vendor, unless:
  - (A) the disclosure and sale or licensing has been consented to by any Third Parties having such right; and
  - (B) Purchaser has paid any applicable fees payable to Third Parties, as required to effect assignment of Vendor's interest to Purchaser;
- (viii) the product of proprietary seismic data which has been merged with any of the data referred to in Clause 1.01(ii)(vii);
- (ix) deposits, prepaid amounts and other security and financial assurances provided by Vendor to Governmental Authorities or other Third Parties in respect of the Assets, the operation thereof, Petroleum Substances produced therefrom or allocated thereto or services provided in connection therewith including any security related to Permits, including well, facility and pipeline licenses;
- (x) emission offsets, performance credits, or other similar statutory or regulatory instruments that may exist in future accrued or accruing to the benefit of Vendor, or that Vendor has or would have had the right to obtain, claim, create, verify, monetize or serialize prior to the Effective Time, whether or not they have been obtained, claimed, created, verified, monetized or serialized or otherwise realized by Vendor, arising from Vendor's interest in, ownership of, or operation of the Assets prior to the Effective Time ("**Vendor Credits**");
- (xi) Petroleum Substances produced from the Lands or any lands pooled or unitized therewith beyond the wellhead at the Effective Time, including Petroleum Substances in the course of production or transportation or in tanks or storage (and includes linefill, inventory in tanks and tank bottoms) do not comprise part of the Assets, provided that sludge at the bottom of any storage tanks will be included in the Assets (and not excluded under this subclause);

- (xii) all tangible property located within, upon or in Vendor's corporate yards outside of the Whitemap Area or Vendor's supplier's yards, except to the extent that such tangibles are directly related to the Assets or such tangibles were acquired for a joint account relating to the Assets;
  - (xiii) legal opinions and all other documents prepared by or on behalf of Vendor in contemplation of acquisition or litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction, except with respect to those matters, if any, in respect of which Purchaser is assuming responsibility for and indemnifying Vendor;
  - (xiv) Vendor's records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
  - (xv) Vendor's emergency response plans and ancillary documentation thereto;
  - (xvi) Vendor's supply and procurement agreements, unless otherwise agreed to by the Parties;
  - (xvii) personal computer equipment (PCs or laptops), hand or power tools or any leased or owned vehicles;
- (jj) "**Facilities**" means all tangible depreciable property and assets comprising the facilities set forth in Schedule B;
- (kk) "**Fraud**" means actual fraud by a Party (as determined pursuant to a final, non-appealable order pursuant to the dispute resolution process described in Article 11) with regard to the representations and warranties made by such Party in this Agreement, which involves a knowing and intentional misrepresentation by such Party of such representations or a knowing and intentional concealment of facts with respect to such representations, with the intent of inducing any other Party to enter into this Agreement and upon which such other Party has relied to its detriment (as opposed to any fraud claim based on constructive knowledge, recklessness, negligent misrepresentation or a similar theory) under applicable law.
- (ll) "**General Conveyance**" means the general conveyance in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;

- (mm) "**Government of Alberta**" means the Queen in Right of the Province of Alberta as represented by the Minister of Energy, or such other ministry as is appointed to oversee development of natural resources and energy in the Province of Alberta;
- (nn) "**Governmental Authority**" means any governmental, regulatory or administrative authority, department, agency, commission, applicable stock exchange, board, bureau, branch, official, panel or tribunal of any nature (both domestic and foreign), any Crown corporation, any court or private arbitrator or arbitral tribunal and any other Person exercising or entitled to exercise any legislative, judicial, quasi-judicial, administrative, executive, investigative, regulatory, licensing or taxing authority or power, having jurisdiction or power over any Person, property, operation, transaction or other matter or circumstance, as the context so requires;
- (oo) "**GST**" means the goods and services Tax provided for under the *Excise Tax Act* (Canada), RSC 1985, c. E-15 as amended, and the Regulations thereunder, or any successor or parallel federal or provincial legislation that imposes a Tax on the recipient of goods and services;
- (pp) "**Hazardous Substances**" means all substances, materials and wastes regulated or from which Liability may arise under the Regulations relating to Environmental or health and safety matters, including hazardous, deleterious, or toxic substances; oilfield wastes; radioactive material; asbestos; polychlorinated biphenyls; pollutants; contaminants; dangerous goods; and unrefined and refined petroleum products;
- (qq) "**IFRS**" means the international financial reporting standards issued by the International Accounting Standards Board for publicly accountable enterprises, or such other generally accepted accounting principles and practices applied in Canada from time to time;
- (rr) "**Independent Contractors**" means those independent contractors listed in the Independent Contractor Information Letter;
- (ss) "**Independent Contractor Information Letter**" means the letter to be provided by Vendor to Purchaser, or Purchaser's legal representative, setting out each Independent Contractor's name and service type with Vendor.
- (tt) "**Investor Agreement**" means the investor agreement in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;

- (uu) "**Lands**" means all lands and formations within the Whitemap Area and includes: (i) the Petroleum Substances within, upon or under those lands; and (ii) the lands set out in Schedule A-1 under the heading "Lands", subject to any limitations identified or set forth in Schedule A;
- (vv) "**Leases**" means the leases, licenses, permits, reservations and other documents of title and agreements by virtue of which Vendor is entitled to explore for, recover, remove or dispose of Petroleum Substances within, upon or under the Lands or lands with which the Lands are pooled or unitized including those leases, licenses, permits, reservations and other documents of title and agreements set out in Schedule A under the heading "Leases", but only to the extent they pertain to the Lands, and includes, if applicable, all renewals and extensions of those documents and all documents issued in substitution therefor;
- (ww) "**Liabilities**" means any and all liabilities and obligations, whether under common law, in equity, under applicable law or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise;
- (xx) "**License Transfer Letter Agreement**" means a license transfer agreement in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing.
- (yy) "**Losses**" means, in respect of a Person and in relation to a matter, any and all losses, damages, costs, expenses, charges (including all penalties, interests, charges, assessments and fines) which such Person suffers, sustains, pays or incurs in connection with such matter and includes Taxes, reasonable costs of legal counsel (on a solicitor and client basis) and other professional advisors and consultants and reasonable costs of investigating and defending any Claim arising from the matter, regardless of whether such Claims are sustained;
- (zz) "**Marketing Agreement**" means the marketing agreement to be entered into between Vendor and Purchaser pursuant to which Vendor will market Purchaser's share of volumes of Petroleum Substances produced from the Lands or any lands pooled or unitized therewith on behalf of Purchaser, in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;
- (aaa) "**Marketing and Transportation Service Agreements**" means the [*contract name redacted*] Transportation Services Agreement between Cenovus Energy Inc. and [*third party redacted*] dated

April 25, 2019; the [*contract name redacted*] Terminal Terminalling Agreement between Cenovus Energy Inc. and [*third party redacted*] dated April 25, 2019; the Transportation Services Agreement between Cenovus Energy Inc. and [*third party redacted*] dated April 25, 2019; and the Project and Expenditure Authorization between Vendor and [*third party redacted*] dated February 4, 2020 and in each case, all amendments thereto;

(bbb) "**Material Adverse Effect**" means, as the context requires:

- (i) in respect of a Vendor or Purchaser, as applicable, any change or effect, event, occurrence or matter in or on the business, operations, assets, capitalization, financial condition, rights or liabilities, whether contractual or otherwise, of such Party that alone, or in conjunction with any other or others, is material and adverse to the business, operations or financial condition of the Party (taken as a whole); and
- (ii) in respect of the Assets (taken as a whole), any change or effect, event, occurrence or matter that alone, or in conjunction with any other or others, is materially adverse to the value, ownership or operation of the Assets (taken as a whole and as owned and operated as of the Effective Time),

determined without consideration of any of the following: (A) any change, effect, event or occurrence relating to or affecting the general economic conditions or securities, capital, credit, financial, banking or currency markets (including changes in interest or exchange rates), or any worsening thereof as a whole not disproportionately affecting the applicable Party or the Assets; (B) conditions affecting the oil and gas industry in Canada as a whole not disproportionately affecting the applicable Party or the Assets; (C) any change in global, national or regional political conditions, act of war, civil unrest or similar event or any escalation or worsening thereof as a whole not disproportionately affecting the applicable Party or the Assets; (D) any adoption, proposal, implementation or changes in applicable laws or in the interpretation, application or non-application of applicable law of any Governmental Authority as a whole not disproportionately affecting the applicable Party or the Assets; (E) the novel coronavirus pandemic (designated COVID-19) or the related virus designated SARS-CoV-2 or any mutation, re-emergence or disease directly arising as a result of it as a whole not disproportionately affecting the applicable Party or the Assets; and (F) and change, effect or circumstance arising from the actions or matters permitted by this Agreement or consented to or approved in writing

by the other Parties, including the public announcement of the Transaction;

- (ccc) "**Miscellaneous Interests**" means: (A) the Wells including the well bores and casing for the Wells; and (B) all property, assets and rights (other than the Petroleum Interests, the Tangibles and the Wells) to the extent they pertain directly to the Petroleum Interests, the Tangibles or the Wells, and:
- (i) the Surface Rights;
  - (ii) the Title and Operating Documents and all other contracts and agreements and all rights in relation thereto;
  - (iii) the Permits;
  - (iv) all non-interpretative production and engineering information, and other records, files, reports, data, correspondence and documents that, in Vendor's reasonable judgment, relate directly to the Assets; and
  - (v) the Seismic Data, subject to the Seismic Data License, and any technical interpretations of such Seismic Data (including Marten Hills Swath 2020 data ([*seismic data ID redacted*])) but only to the extent of such Seismic Data, provided that Vendor shall be entitled to retain a copy of such technical interpretations,
- however, the Miscellaneous Interests shall not include the Excluded Assets nor shall they include agreements, documents or data to the extent that they consist of or are related to the Excluded Assets;
- (ddd) "**Minimum Claim Amount**" has the meaning set forth in Clause 13.06(a);
- (eee) "**Operating Statements**" means, collectively, (i) the audited operating statements relating to the Assets for the year ended December 31, 2019; (ii) the unaudited operating statements relating to the Assets for the year ended December 31, 2018; and (iii) the unaudited operating statements relating to the Assets for the nine month period ended September 30, 2020; and (iv) the unaudited operating statements relating to the Assets for the nine month period ended September 30, 2019;
- (fff) "**Party**" means a signatory to this Agreement and "Parties" mean all signatories to this Agreement;

(ggg) "**Permits**" means, all licenses, permits, approvals and authorizations granted or issued by any Governmental Authorities and relating to the construction, installation, ownership, use or operation of the Assets;

(hhh) "**Permitted Encumbrances**" means:

- (i) liens for Taxes, assessments and governmental charges which are not due or delinquent at the Effective Time, or the validity of which is being contested in good faith by Vendor;
- (ii) mechanics', builders', materialmen's or similar liens for services rendered or goods supplied for which payment is not then due, or the validity of which is being contested in good faith by Vendor;
- (iii) easements, rights of way, servitudes and other similar rights in lands including, without limitation, rights of way and servitudes for highways, railways, sewer drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
- (iv) the burdens, royalties, adverse claims, other encumbrances and reductions in interest described in Schedule A;
- (v) a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase a portion of the Assets;
- (vi) the terms and conditions of the Title and Operating Documents;
- (vii) the express or implied reservations or exceptions in any grants or transfers of mineral rights from the Crown;
- (viii) the rights reserved to or vested in any municipality or Governmental Authority by the terms of any lease, license, franchise, grant or permit or by any provision of the Regulations, to terminate any such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof, including the Section 18 Notices;
- (ix) rights of general application reserved to or vested in any Governmental Authority to levy Taxes on Petroleum Substances or the income therefrom or legally binding requirements imposed by the Regulations or Governmental Authorities concerning rates of production from operations

on any of the Lands or any lands pooled or unitized therewith or otherwise affecting recoverability of Petroleum Substances from the Lands or any lands pooled or unitized therewith;

- (x) provisions for penalties and forfeitures under any of the Title and Operating Documents which will arise if Vendor elects, after the relevant time, not to participate in operations on the Lands or any lands pooled or unitized therewith to which the penalty or forfeiture will apply;
  - (xi) burdens, adverse claims or other encumbrances that have not been created by, through or under Vendor;
  - (xii) any defects or deficiencies in title to the Assets disclosed in this Agreement or the Vendor Data Room;
  - (xiii) commitments, encumbrances or adverse claims in or affecting the title or interest of Vendor in and to any of the Assets which Purchaser has waived, consented to, accepted or been deemed to have waived, consented to or accepted pursuant to the provisions of Clause 6.03;
  - (xiv) any mortgage, charge, pledge, lien, hypothec, assignment by way or in effect as security, or other security interest whatsoever in respect of which an Encumbrance Discharge is delivered to Purchaser prior to or at Closing; and
  - (xv) the Royalty Interest;
- (iii) "**Person**" means any individual, partnership (whether general or limited), corporation, trust, union, pension fund, Governmental Authority or department or agency thereof or other entity;
- (jjj) "**Personal Information**" means information about an identifiable individual, but excludes his or her business contact information (consisting of the individual's name, position name or title, business telephone number, business address, business e-mail or business fax number when used for the purpose of contacting such individual in his or her capacity as an employee or official of an organization and for no other purpose) which has been or is to be disclosed and/or conveyed to Purchaser, its Affiliates and/or any of their Representatives by or on behalf of Vendor as a result of or in conjunction with the Transaction, and includes all Personal Information disclosed to Purchaser and/or its Affiliates or their Representatives prior to the execution of this Agreement;
- (kkk) "**Petroleum Interests**" means:

- (i) rights in, or rights to explore or drill for, and/or to recover, produce, save and market, Petroleum Substances;
- (ii) rights to a share of production of Petroleum Substances therefrom;
- (iii) working interests, carried working interests, royalty and overriding royalty interests, revenue interests, net profit interests, and similar interests in Petroleum Substances or the proceeds of the sale of Petroleum Substances or other encumbrance accruing to Vendor or to payments calculated by reference thereto;
- (iv) any existing contractual right to earn any of the foregoing in paragraphs (i), (ii) and (iii) under a farm-in or similar arrangement; and
- (v) rights to acquire any of the foregoing in paragraphs (i), (ii), (iii) and (iv),

but, in each case, only insofar as the foregoing relate to the Lands or any lands pooled or unitized therewith and only insofar as such rights are granted by the Leases including as set out in Schedule A (and for clarity, (i) and (ii) above include all rights arising from unit allocations), but specifically excluding the Excluded Assets.

- (III) "**Petroleum Substances**" means petroleum, natural gas and related hydrocarbons and all other substances (whether hydrocarbon or not), including sulphur, capable of being produced in association with petroleum and natural gas and related hydrocarbons;
- (mmm) "**Place of Closing**" means the office of Vendor located at 225 – 6<sup>th</sup> Avenue, SW, Calgary, Alberta or such other place as Vendor and Purchaser may agree;
- (nnn) "**Pre-Closing Reorganization**" [*corporate reorganization details redacted*];
- (ooo) "**Prime Rate**" means the per annum rate designated as the prime rate for Canadian dollar commercial loans by the Royal Bank of Canada, with any change to that rate being effective under this Agreement on the same day as it is made effective by that bank;
- (ppp) "**Public Record**" means all information filed by or on behalf of Purchaser on [www.sedar.com](http://www.sedar.com) after January 1, 2020 in compliance, or intended compliance, with Applicable Securities Laws.

- (qqq) "**Purchase Price**" means the total consideration payable by Purchaser to Vendor for the Assets, comprised of the Base Cash Price and the Equity Consideration, as adjusted as set forth herein;
- (rrr) "**Purchaser Data Room**" means, collectively, (i) the contents of the electronic data room of Purchaser administered by Firmex, being in the state as they exist at 5:00pm (Calgary time) on November 5, 2020, and being for the purpose of assisting Vendor in investigating the acceptance of the Equity Consideration from Purchaser; and (ii) the contents of various correspondence in writing including emails between Vendor, (including Vendor's Representatives or advisors) and Purchaser (including Purchaser's Representatives or advisors);
- (sss) "**Purchaser Disclosure Documents**" has the meaning set forth in Clause 6.07(a);
- (ttt) "**Purchaser Financial Statements**" means the audited financial statements of Purchaser as at and for the year ended December 31, 2019 and the related auditors' report on such statement, together with the notes to such statements;
- (uuu) "**Purchaser Interests**" has the meaning set forth in Clause 4.03(v);
- (vvv) "**Purchaser's Officer's Certificate**" means Purchaser's bring down certificate in the form agreed between the Parties as of the date hereof and to be delivered by Purchaser to Vendor and Warranting Party at Closing;
- (www) "**Regulations**" means, in relation to any Person, property or circumstance, all statutes, laws, rules, orders, directives, regulations, policies and guidelines having force of law and made by Governmental Authorities, and all licenses, permits, certificates, approvals and authorizations (and includes, as applicable, the Permits), in each case in effect as of the relevant time and are applicable to such Person, property or circumstance;
- (xxx) "**Representatives**" means in respect of a Party:
- (i) its Affiliates;
  - (ii) such Party's and its Affiliate's successors and assigns; and
  - (iii) the respective directors, officers, agents, consultants and employees of such Party and its Affiliates, and their respective successors and assigns;
- (yyy) "**Required Approvals**" means, collectively, (i) the Competition Act Approval; and (ii) conditional approval from the TSX to the listing

of the Common Shares issuable to Vendor as part of the Equity Consideration and the Common Shares underlying the Warrants, as set forth in Clause 10.02;

- (zzz) "**Reserves Information**" means the information in respect of the Assets to be provided by Vendor to Purchaser and/or the independent qualified reserves evaluator of Purchaser as is necessary and desirable for the preparation of a reserves report in accordance with Form 51-101F1 – *Statement of Reserves Data and Other Oil and Gas Information* with an effective date of December 31, 2020.
- (aaaa) "**Right of First Refusal**" means a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase a portion of the Assets as a consequence of Vendor having agreed to sell the Assets to Purchaser in accordance with the terms of this Agreement;
- (bbbb) "**Royalty Interest**" means the gross overriding royalty as further described and set out in the Royalty Agreement that will, at Closing, bind all of the Petroleum Interests and be reserved to Vendor and excluded from the conveyance of the Assets to Purchaser, subject to and in accordance with the terms and conditions of the Royalty Agreement;
- (cccc) "**Royalty Agreement**" means the gross overriding royalty agreement, in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;
- (dddd) "**SCADA**" means supervisory control and data acquisition programs;
- (eeee) "**Section 18 Notices**" means those notices issued by the Alberta Department of Energy pursuant to Section 18(1) of the PNG Tenure Regulation and listed in Schedule D;
- (ffff) "**Securities Regulatory Authority**" means the securities commissions or similar securities regulatory authorities of each of the provinces and territories of Canada;
- (gggg) "**Seismic Data**" means the seismic data associated with the seismic lines identified in Schedule H;
- (hhhh) "**Seismic Data License**" means a non-exclusive, royalty-free, non-transferrable license of the Seismic Rights to Vendor in a form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;

- (iii) "**Seismic Rights**" means the entire interest of Vendor in the Seismic Data as they exist immediately prior to Closing;
- (jjjj) "**Service Agreements**" means to the extent directly related to the Assets, any of the following types of agreements relating to the Lands or any lands pooled or unitized therewith or the Petroleum Substances produced from the Lands or any lands pooled or unitized therewith:
  - (i) agreements for the sale of Petroleum Substances;
  - (ii) gas balancing or similar agreements;
  - (iii) transportation agreements;
  - (iv) processing agreements;
  - (v) agreements for the injection or subsurface disposal of substances;
  - (vi) agreements for treating or handling the Petroleum Substances;
  - (vii) agreements for the use of wellbores;
  - (viii) agreements for the operation of any Wells or Tangibles by a Third Party (excluding operating agreements, construction and/or ownership agreements and other joint operating agreements with working interest partners); and
  - (ix) electricity wire service provider contracts,set forth in Schedule E;
- (kkkk) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations, trust agreements and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey and assign the Assets to Purchaser and to novate Purchaser into the Title and Operating Documents in the place and stead of Vendor or its Affiliates or any predecessors in interest, with respect to the Assets, effective as of the Effective Time; provided that such documents shall not require Vendor to assume or incur any obligation, or to provide any representation or warranty, beyond that contained in this Agreement;
- (llll) "**Subsidiary**" means [*name of subsidiary redacted*]

(mmmm) "**Surface Rights**" means all rights pursuant to orders, licenses, leases, easements or rights of way to use the surface of land in connection with the Assets, including the right to enter upon and occupy the surface of land on which the Tangibles and the Wells are located and rights to cross or otherwise use the surface of land for access to the Assets;

(nnnn) "**Survival Period**" means:

- (i) with respect to Vendor's representations and warranties outlined in Clauses 4.01(a) through 4.01(d) inclusive, and the liability and indemnity obligations applicable thereto, [*survival period redacted*];
- (ii) with respect to Purchaser's representations and warranties outlined in Clauses 4.03(a) through 4.03(d) inclusive, and Clauses 4.03(p) and 4.03(z) and the liability and indemnity obligations applicable thereto, [*survival period redacted*];
- (iii) with respect to all other representations and warranties of any Party set forth in this Agreement and the liability and indemnity obligations applicable thereto, [*survival period redacted*];

(oooo) "**Tangibles**" means all tangible depreciable property, apparatus, plant, equipment, machinery, field inventory, facilities and infrastructure (including the Facilities, SCADA data/hardware), whether they are leased or owned that:

- (i) relate to the Wells; and/or
- (ii) are located on or under the surface of the Lands, in the vicinity of the Lands or lands with which the Lands have been pooled or unitized,

including those that have been used or are or were useful or are used or intended for use in connection with production, gathering, treatment, storage, compression, processing, measuring, making marketable, transportation, injection, removal, disposal or other operations relating to the Wells, Petroleum Interests or otherwise in connection with exploiting any Petroleum Substances from the Lands or lands with which the Lands have been pooled or unitized, and includes any tangible downhole equipment, if any, relating to the Wells. For clarification, and without limitation, Tangibles does not mean or include "personal" computer equipment (PCs or laptops), hand or power tools, or the Excluded Assets;

(pppp) "**Taxes**" means all taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed

by any Governmental Authority, together with all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof, including those levied or based on or measured by, or in respect of, income, gross receipts, earnings, profits, capital, net worth, corporate, transfer, land transfer, sales, GST, harmonized, use, value-added, excise, stamp, withholding, business, license, franchise, property, payroll, employment, employment insurance, Canada Pension Plan, wage, employer health, welfare, education, social security, severance, pension, workers' compensation, public utility, windfalls, import, export or customs;

(qqqq) "**Third Party**" means any Person other than Vendor and Purchaser, or an Affiliate thereof and any heir, executor, administrator or other legal representative of an individual;

(rrrr) "**Thirteenth Month Adjustment**" means the accounting procedure performed annually by an operator of particular Tangibles for the purpose of redistributing certain revenues and expenses, including operating expenses, processing fee revenues, excess capacity utilization fees and recoveries, royalties, transportation costs and gas cost allowances (or similar cost allowances);

(ssss) "**Title and Operating Documents**" means: (A) the Marketing and Transportation Agreements; and (B) to the extent directly related to the Petroleum Interests, Miscellaneous Interests, the Wells and the Tangibles, or any one of them, all agreements and documents that relate to the acquisition, ownership, operation or exploitation of the Petroleum Interests, Miscellaneous Interests, the Wells or the Tangibles, including:

(i) the Leases;

(ii) Service Agreements;

(iii) operating agreements, construction and/or ownership agreements, royalty agreements, assignments, unit agreements, farmout or farmin agreements, option agreements, participation agreements, pooling agreements, sale and purchase agreements, trust declarations and asset exchange agreements; and

(iv) agreements pertaining to the Surface Rights;

(tttt) "**TSX**" means the Toronto Stock Exchange;

(uuuu) "**Transaction**" means the entering into of this Agreement, as well as the Closing of the sale of the Assets by Vendor to Purchaser, the

issuance of the Equity Consideration, and all other related matters contemplated by this Agreement;

(vvvv) "**Unscheduled Assets**" has the meaning set forth in Clause 2.08(a);

(www) "**Vendor Credits**" has the meaning set forth in Clause 1.01(ii)(x);

(xxxx) "**Vendor Data Room**" means collectively: (i) the contents of the electronic data room of Vendor administered by Firmex, being in the state as they exist at 5:00pm (Calgary time) on November 5, 2020, and both being for the purpose of assisting Purchaser in investigating the purchase of the Assets from Vendor; (ii) the contents of various correspondence in writing including emails between Vendor, (including Vendor's Representatives or advisors) and Purchaser (including Purchaser's Representatives or advisors); (iii) the contents of any physical data room prepared by Vendor to which access is provided to Purchaser;

(yyyy) "**Vendor Information**" has the meaning set forth in Clause 6.07(a);

(zzzz) "**Vendor's Officer's Certificate**" means Vendor's bring down certificate in the form agreed between the Parties as of the date hereof and to be delivered by Vendor to Purchaser at Closing;

(aaaa) "**Warrant**" means a Common Share purchase warrant where each whole warrant affords the holder the right to acquire one Common Share at the price and subject to the term set forth in the Warrant Certificate;

(bbbb) "**Warrant Certificate**" means the certificate evidencing the Warrant and setting out the terms and conditions of the Warrant, in the form agreed between Vendor and Purchaser as of the date hereof and to be entered into between Vendor and Purchaser at Closing;

(cccc) "**Warranting Party**" has the meaning set forth in the preamble;

(dddd) "**Warranting Party's Officer's Certificate**" means Warranting Party's bring down certificate in the form agreed between the Parties as of the date hereof and to be delivered by Warranting Party to Purchaser at Closing;

(eeee) "**Wells**" means all producing, shut-in, abandoned, suspended, capped, injection, disposal wells including those wells set out in Schedule A under the heading "Wells", located on the Lands or lands with which the Lands have been pooled or unitized, together

with all well licenses relating thereto, but for certainty including reclamation certified and reclamation exempt wells.

(fffff) "**Whitemap Area**" means those lands comprising the geographic area outlined in red on the map attached as Schedule A-1.

1.02 **Schedules.** The following are the Schedules attached to and forming part of this Agreement:

Schedule A	Lands, Leases, Petroleum Interests, and the Wells
Schedule A-1	Whitemap Area
Schedule B	Facilities
Schedule C	Excluded Assets
Schedule D	Section 18 Notices
Schedule E	Service Agreements
Schedule F	AFEs
Schedule G	Claims
Schedule H	Seismic Data
Schedule I	Surface Rights Expiries

### 1.03 **Interpretation of Schedules**

The Schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of this Agreement. Further, the headings, if any, of the individual sections of the Schedules are inserted for convenience only and do not affect the construction or interpretation of this Agreement. The disclosure of an item in one section of the Schedules as disclosure relating to, or as an exception to, any particular representation or warranty or covenant will be deemed adequately disclosed as disclosure or as an exception with respect to all other representations or warranties or covenants to the extent that it is readily apparent from the text of such disclosure that it is relevant to such other representations or warranties or covenants.

1.04 **References and Interpretation.** Unless otherwise stated or the context otherwise requires:

- (a) words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders;

- (b) the division of this Agreement into sections and clauses and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (c) the references "hereunder", "herein", and "hereof" refer to the provisions of this Agreement, and references to "Article", "Clause" or "Clause" herein refer to the specified Article, Clause or Clause of this Agreement;
- (d) a capitalized derivative of a defined term will have a corresponding meaning;
- (e) whenever there occurs a word of general application or of a general class which is stated to "include" a word or an enumerated list of words with a particular or specific meaning, such particular or specific word or enumerated list of words of particular or specific meaning shall not be interpreted so as to be an exhaustive list of those matters or things falling within the word or general application or of a general class and shall instead be interpreted to mean "includes but is not limited to";
- (f) all references herein to dollars are references to the currency of Canada unless otherwise specified in this Agreement; and
- (g) any reference to days refers to calendar days unless the reference is to Business Days, and if the phrase "within", "at least", "prior to", or "not later than" is used with reference to a specific number of days or Business Days, the day of receipt of the relevant notice will be excluded and the day of the relevant response or event will be included in determining the relevant time period. However, if the time for doing any act expires on a day that is not a Business Day, the time for doing that act will be extended to the next Business Day.

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

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

1.07            **Knowledge**. The knowledge or awareness of:

- (a) For the purposes of the representations and warranties set forth in Clause 4.01, Vendor and Warranting Party are limited to the actual knowledge or awareness of its current officers and senior

employees who are primarily responsible for the matter in question in the course of their normal duties (other than those employees employed in the field who do not have management responsibilities), and does not include any knowledge and awareness (constructive or actual) of any other Person or Persons, and does not impose any obligation to make inquiry of any other Person, including Third Parties or the files and records of any Third Party or Governmental Authority; and

- (b) For the purposes of the representations and warranties set forth in Clause 4.03, Purchaser is limited to the actual knowledge or awareness of its current officers and senior employees who are primarily responsible for the matter in question in the course of their normal duties, and does not include any knowledge and awareness (constructive or actual) of any other Person or Persons, and does not impose any obligation to make inquiry of any other Person, including Third Parties or the files and records of any Third Party or Governmental Authority.

## **Article 2**

### **SALE OF ASSETS AND RELATED MATTERS**

2.01 **Sale of Assets.** Upon the terms and subject to the conditions of this Agreement, Vendor agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser agrees to purchase from Vendor, at the Closing Time, the Assets.

2.02 **Purchase Price.** The price to be paid by Purchaser to Vendor for the Assets, shall be the aggregate of:

- (a) \$35,000,000.00 (the "**Base Cash Price**");
- (b) plus the Equity Consideration;

(collectively the "**Purchase Price**")

2.03 **Deposit.** Purchaser confirms that it has deposited with Purchaser's counsel the amount of \$10,000,000.00 as an earnest money deposit (the "**Deposit**") and that it has irrevocably directed its counsel to wire the Deposit to Vendor on the first Business Day following the execution of this Agreement. If the Deposit is returned to Purchaser hereunder, interest shall be deemed to accrue on the Deposit from and including the date Vendor received the Deposit until, but excluding the date, the Deposit is returned to Purchaser at an interest rate equal to the Prime Rate. The Deposit is to be dealt with as follows:

- (a) if Closing occurs, the Deposit (including interest deemed to have accrued thereon) shall be credited against the Closing Payment portion of the Purchase Price;

- (b) if Closing does not occur:
- (i) due to the breach by Purchaser of this Agreement, Vendor shall be entitled to retain the Deposit, together with the interest earned thereon on account of its damages and as a genuine pre-estimate of Vendor's liquidated damages and not as a penalty, and such liquidated damages shall be Vendor's sole remedy in respect thereof; or
  - (ii) for any reason other than as contemplated in Clause 2.03(b)(i) (including if Purchaser terminates this Agreement in accordance with the terms hereof (including for failure to obtain shareholder approval as contemplated in Clause 9.02(f)), or if Closing has not occurred by the End Date and the reason for Closing not having occurred is not due to a breach by Purchaser of this Agreement), the Deposit and interest deemed to have accrued thereon as forth above shall be forthwith paid by Vendor to Purchaser.

2.04 **Satisfaction of Purchase Price.**

- (a) At Closing, Purchaser shall pay to Vendor by electronic wire transfer in immediately available funds to Vendor, or as Vendor may direct, the sum of the following:
- (i) the Base Cash Price;
  - (ii) less the Deposit (with interest deemed to have accrued thereon from the date Vendor receives payment thereof to the Closing Date at the Prime Rate);
  - (iii) plus or minus, as applicable, the aggregate of the adjustments calculated and payable in accordance with Clause 15.01;
  - (iv) plus interest as calculated pursuant to Clause 2.11; and
  - (v) plus the amount of any Taxes and other amounts payable under Clause 2.10;

(the "**Closing Payment**").

- (b) At Closing, Purchaser shall issue, or shall cause to be issued the Common Shares and Warrants issuable hereunder as directed by Vendor. Vendor shall provide registration instructions to Purchaser no later than two (2) Business Days prior to Closing.

2.05 **Allocation.** The Purchase Price, as adjusted pursuant to Clause 15.01, will be allocated as follows:

(a)	to the Petroleum Interests	80%
(b)	to the Tangibles:	20% less \$1,850,010
(c)	to the Seismic Data:	\$1,850,000
(d)	to the Miscellaneous Interests (other than Seismic Data):	\$10.00
	<b>TOTAL</b>	<b>100%</b>

and the Parties agree to prepare, execute and file all Tax returns, reports, declarations, elections, filings, information returns and statements, and prepare all financial statements, on the basis of such allocation.

2.06 **Subsection 85(2) Election.** In respect of the transfer of the Assets to Purchaser in consideration for the payment by Purchaser of the Purchase Price, Vendor and Purchaser agree to make a joint election at or following Closing, if requested by Vendor, under the provisions of subsection 85(2) of the *Income Tax Act* (Canada), in the prescribed form and within the time period stipulated in subsection 85(6) of the *Income Tax Act* (Canada), at an aggregate elected amount equal to no more than [*tax election amount redacted*] (collectively, the "**Elected Amounts**", and each an "**Elected Amount**"), with each Elected Amount in such election to be within the range permitted under the *Income Tax Act* (Canada).

2.07 **Agreed Value of Purchase Consideration.** Notwithstanding that the trading price of the Common Shares forming part of the Equity Consideration may change between the date hereof and Closing, the Parties acknowledge and agree that the aggregate value of the Equity Consideration is [*value of equity consideration redacted*].

2.08 **Whitemap Area.**

- (a) Vendor and Purchaser acknowledge that although Vendor has prepared, and Purchaser has reviewed, the Schedules attached hereto diligently and with good faith, they recognize that there may be unintended errors, omissions, inclusions or misdescriptions. As such, Vendor and Purchaser acknowledge and agree that it is their intention that, in addition to those Assets included and specified in the Schedules hereto, other than the Excluded Assets, the Assets shall include Vendor's entire interest in and to all Petroleum Interests, Tangibles and Miscellaneous Interest (as those terms are defined herein) which fall within the Whitemap Area and which have not been scheduled (the "**Unscheduled Assets**"), and that the Purchase Price includes consideration for such Unscheduled Assets. In the case of any unintended errors, omissions, including or misdescriptions, Vendor and Purchaser acknowledge the intent was

to convey the Assets without such unintended errors, omissions, inclusions or misdescriptions.

- (b) To the extent that any Unscheduled Assets or any other unintended errors, omissions, inclusions or misdescriptions are identified by either Vendor or Purchaser after the Closing Date, Vendor and Purchaser shall use all reasonable efforts to enter into an amending agreement to correct the affected Schedules attached hereto, which amending agreement shall have the effect of correcting the schedules as of the date hereof and, in the case of any Unscheduled Assets so identified, Vendor and Purchaser shall take such additional steps as are necessary to specifically convey Vendor's (or Vendor's Affiliates' or any predecessors in interest's) interest in such Unscheduled Assets to Purchaser.

2.09 **Abandonment and Reclamation Obligations.** The Parties acknowledge that:

- (a) provided Closing occurs, Purchaser shall assume the Abandonment and Reclamation Obligations subject to the terms of this Agreement;
- (b) the amount and the scope of any Abandonment and Reclamation Obligations are not capable of being quantified at the Closing Date and depend upon numerous unknowable factors that are not within the control of the Parties;
- (c) under the Regulations, the Abandonment and Reclamation Obligations are inextricably linked to the Assets so that a transferee of the Assets will be liable for the Abandonment and Reclamation Obligations in the absence of the specific assumption of such liabilities by the transferor;
- (d) the specific assumption of the Abandonment and Reclamation Obligations is intended to provide greater certainty of results for the Parties and does not represent any pecuniary consideration for the Assets;
- (e) the Parties have taken the fact that the Assets and the Abandonment and Reclamation Obligations are inextricably linked into account in reaching this Agreement and in establishing the Purchase Price; and
- (f) neither the existence nor the amount of any accounting reserves for site reclamation costs or similar matters associated with the Assets in the financial statements or accounting records of either Vendor or Purchaser has been of any relevance to either Vendor or Purchaser in determining any matter under this Agreement, including the Purchase Price for the Assets.

2.10 **GST and Taxes.**

- (a) On the Closing Date and to the extent allowable under applicable Laws, Purchaser and Vendor agree to elect jointly under subsection 167(1) of the *Excise Tax Act* (Canada), and under any similar provision of any other applicable provincial laws, in the prescribed form, in respect of the sale and transfer of the Assets hereunder, and Purchaser shall file such election with Canada Revenue Agency (and other applicable provincial authorities) in the manner and within the time prescribed by the *Excise Tax Act* (Canada) (and any other applicable provincial laws) and promptly provide proof of such filings to Vendor. In the event the joint election is rejected, Purchaser shall, within 2 Business Days of the rejection pay to Vendor by certified cheque, bank draft or wire transfer of immediately available funds, an amount equal to five percent (5%) of the portion of the Purchase Price allocated to Tangibles and Miscellaneous Interests pursuant to Clause 2.05 in respect of GST, and Vendor shall forthwith remit same to the Canada Revenue Agency. Each Vendor and Purchaser represents that it holds a valid GST registration account number at the date of Closing and that its registration number for GST purposes is:

Vendor: Cenovus Marten Hills Partnership: [GST number redacted]

Purchaser: Headwater Exploration Inc.: [*GST number redacted*]

- (b) Purchaser shall also be solely liable for any and all sales and similar Taxes imposed by provincial or federal legislation in respect of the purchase of the Assets pursuant hereto. If Vendor, as agent for the Crown, is required to collect such Taxes, Purchaser shall pay the aggregate amount of such Taxes to Vendor at Closing. Vendor shall remit such amount to the appropriate authorities in accordance with applicable legislation.
- (c) After Closing, Purchaser shall be responsible for, and shall indemnify and save Vendor harmless in respect of (i) any amounts of GST and any sales and similar Taxes (including interest and penalties) in respect of the purchase and sale of the Assets pursuant hereto which are in excess of the amounts collected by Vendor from Purchaser at Closing; and (iii) any Losses and Liabilities (including direct costs, expenses, assessments, penalties, interest) incurred by Vendor as a result of making the joint election.

2.11 **Interest.** Purchaser shall pay to Vendor at Closing, as an adjustment to the Purchase Price, an amount equal to the interest on the Base Cash Price for the period of time from the Effective Time to the Closing Date, calculated daily and not compounded, at the rate of the Prime Rate.

### **Article 3 CLOSING**

3.01 **The Closing**. The Closing will take place at the Place of Closing at the Closing Time.

3.02 **Transfer of Possession of Assets**. The transfer of the Assets from Vendor to Purchaser and the assumption of the benefits, obligations and risks associated with the Assets by Purchaser will be effective as of the Effective Time.

3.03 **Deliveries at Closing**.

- (a) At Closing, Vendor shall table the following (in each case, where applicable, duly executed by Vendor):
  - (i) the General Conveyance;
  - (ii) subject to Clause 3.04, the available Title and Operating Documents;
  - (iii) the Royalty Agreement;
  - (iv) the Development Agreement;
  - (v) the Investor Agreement, duly executed by Vendor or its nominee, as applicable;
  - (vi) the Marketing Agreement;
  - (vii) the License Transfer Letter Agreement, if applicable;
  - (viii) the Electronic Signatures Agreement, if applicable;
  - (ix) Specific Conveyances, excluding those Specific Conveyances that Vendor is permitted to deliver at a later date as contemplated in Clause 3.06;
  - (x) the Seismic Data License relating to any Seismic Data;
  - (xi) copies of all consents to disposition obtained by Vendor prior to Closing with respect to the sale of the Assets to Purchaser;
  - (xii) Vendor's Officer's Certificate;
  - (xiii) Warranting Party's Officer's Certificate;
  - (xiv) a receipt for the Closing Payment and the Equity Consideration;

- (xv) any Encumbrance Discharges in respect of any registered mortgages, charges, pledges, liens, hypothecs, assignments by way or in effect as security, or other security interests that are not Permitted Encumbrances which have been requested by Purchaser not less than five (5) Business Days prior to Closing; and
  - (xvi) such other items as may be specifically required hereunder to be delivered at Closing.
- (b) At Closing, Purchaser shall table the following (in each case, where applicable, duly executed by Purchaser):
- (i) payment of the Closing Payment in immediately available funds by wire transfer in accordance with the settlement instructions provided in writing by Vendor to Purchaser prior to Closing;
  - (ii) evidence of issuance for the Common Shares issued as directed pursuant to Clause 2.04(b);
  - (iii) the fully executed Warrant Certificate evidencing 15,000,000 Warrants;
  - (iv) the General Conveyance;
  - (v) the Royalty Agreement;
  - (vi) the Development Agreement;
  - (vii) the Investor Agreement;
  - (viii) the Marketing Agreement;
  - (ix) the License Transfer Letter Agreement, if applicable;
  - (x) the Electronic Signatures Agreement, if applicable;
  - (xi) the Seismic Data License relating to any Seismic Data;
  - (xii) the Required Approvals;
  - (xiii) Purchaser's Officer's Certificate;
  - (xiv) a favourable legal opinion of Purchaser's counsel addressed to Vendor or the applicable nominee to which the Common Shares are issued in form and substance reasonably satisfactory to Vendor with respect to the issuance of the Equity Consideration hereunder and in accordance with

Applicable Securities Laws and corporate laws matters relevant thereto; and

- (xv) such other items as may be specifically required hereunder to be delivered at Closing.
- (c) Each of Vendor and Purchaser shall execute all documents requiring execution by it and table at Closing.
- (d) Notwithstanding anything to the contrary contained in this Clause 3.03:
  - (i) with respect to Seismic Data, Vendor will endeavour to transfer its interest in such Seismic Data to Purchaser at Closing, but in any event as soon as reasonably practicable following Closing, but shall be entitled to retain one (1) copy at its cost for its own use in accordance with the Seismic Data License;
  - (ii) all Third Party costs associated with the reproduction, handling, delivery, splicing and transfer of the Seismic Data shall be borne exclusively by Purchaser and Purchaser shall be liable for and pay any invoice issued from any Third Party in respect of same directly to such Third Party; and
  - (iii) Purchaser acknowledges that the transfer of the licenses for the Wells and Tangibles and agreements pertaining to the Surface Rights will be submitted to the applicable Governmental Authority immediately following Closing. As a result of processing times, it is acknowledged that these transfers may not be completed for a minimum of thirty (30) days after submission and as such, in the event Purchaser wishes to operate the Wells and Tangibles, and utilize the Surface Rights, from and after the Closing Date notwithstanding that it will not be the registered licensee or holder thereof, Purchaser shall execute and deliver the License Transfer Letter Agreement.

3.04 **Delivery of Documents.** To the extent that Vendor is not reasonably able to deliver the Title and Operating Documents to Purchaser, and, with the exception of documents pertaining to the Unscheduled Assets which shall be delivered within a reasonable time period after discovery of such Unscheduled Assets, Vendor shall, as soon as is practicable after Closing (and in any event within thirty (30) days following Closing (except with respect to Wells and surface files which shall be delivered within ten (10) days of the transfer of the related Permits and Crown leases), deliver to Purchaser the Title and Operating Documents which it has in its possession, provided that Vendor may retain a photocopy of all such Title and Operating Documents.

3.05 **Access to Information.**

- (a) For a period equal to [*survival period redacted*] after Closing or such longer period as is required by applicable law or prescribed in the Royalty Agreement, Purchaser shall preserve all Miscellaneous Interests delivered to it and Vendor may during Purchaser's regular business hours, and upon reasonable notice, gain access to the Assets including obtaining from Purchaser copies of any Miscellaneous Interests which were delivered to Purchaser at Closing and which Vendor requires for audits, Claims initiated by or against Vendor by a Governmental Authority or a Third Party or for any regulatory matters or securities law disclosure purposes or for the purposes of the Vendor Credits at, all at Vendor's sole expense.
- (b) Following Closing, Purchaser shall provide to Vendor on reasonable prior notice, access to such of Purchaser's personnel as are required by Vendor for regulatory matters, audits or Claims initiated by or against Vendor, all at Vendor's sole expense.

3.06 **Specific Conveyances.**

- (a) Vendor, at its own cost, and except with respect to the Specific Conveyances pertaining to the well and facility license transfers to be submitted to the AER and any Crown Leases which shall be delivered at Closing, shall use commercially reasonable efforts to prepare the Specific Conveyances prior to the Closing Time and to deliver the Specific Conveyances to Purchaser at the Closing Time provided that, if and to the extent that any Specific Conveyances are not delivered by Vendor to Purchaser at the Closing Time, Vendor shall prepare and deliver to Purchaser the remaining Specific Conveyances as soon as is reasonably practicable after Closing, but in any event no later than thirty (30) days following Closing.
- (b) It shall not be necessary for Vendor to obtain prior to Closing, the consent of any Third Party to the disposition of the Assets or portion thereof under a Title and Operating Document. Purchaser may, by notice to Vendor after execution of this Agreement, request that Vendor to request consent from a Third Party to the assignment of any Title and Operating Document where consent from the Third Party is required and may be withheld in such Third Party's sole discretion, and in such event Vendor shall submit such request to the applicable Third Party. Unless otherwise agreed to by Vendor, it shall not be a condition of any consent that Vendor agree to assume or incur any obligation, or to provide any representation or warranty, beyond that contained in this Agreement.
- (c) It shall not be necessary for any Specific Conveyances to have been executed prior to or at Closing by the parties thereto, other than

Vendor itself and Vendor's Affiliates. To the extent it is permissible under the Regulations and the Parties consider it advantageous to do so, the Parties shall execute Specific Conveyances electronically in accordance with the provisions of the Electronic Signatures Agreement.

- (d) To the extent that Purchaser is required to execute any Specific Conveyances, it shall do so promptly after the delivery of such Specific Conveyances by Vendor to Purchaser.
- (e) Upon receipt of any Specific Conveyances duly executed by Vendor, Purchaser shall use all reasonable efforts to become, as soon as reasonably practicable, the recognized and beneficial holder of the Assets subject to such Specific Conveyances in the place and stead of Vendor (or its Affiliates or any predecessor in interest), and in that respect:
  - (i) in the case of any Specific Conveyances that require execution by Third Parties, promptly after Closing or the delivery of such Specific Conveyances after Closing, as the case may be, and, if necessary, the execution of such Specific Conveyances by Purchaser, Vendor shall co-operate with Purchaser and provide all reasonable assistance that Purchaser may reasonably request in connection with Purchaser's procurement of the execution of such Specific Conveyances by the parties thereto other than Vendor and Purchaser;
  - (ii) in the case of any Specific Conveyances that do not require execution by Third Parties, Purchaser shall deliver such Specific Conveyances to the appropriate recipients thereof promptly after Closing or after the delivery of such Specific Conveyances after Closing, as the case may be and, if necessary, execution by Purchaser, including the registration with the appropriate Governmental Authorities of any such Specific Conveyances that require registration.
- (f) Purchaser shall ensure that it meets the qualification requirements as specified in Clause 4.03(g) in relation to completing the transfer of any Permits as contemplated in this Agreement and to consummate the Transaction.
- (g) Notwithstanding the forgoing in this Clause 3.06, in the case of any Specific Conveyances that are transfers of Permits or Crown lease transfers which may be filed electronically with the applicable Governmental Authority, promptly following Closing, Vendor shall submit electronic transfers for such Permits and Crown leases and Purchaser shall accept such electronic transfers from Vendor immediately without delay, provided that, if Purchaser in good faith

determines or believes that any of the electronic transfers are not complete and accurate, or the applicable Governmental Authority refuses to process any such transfers because of some defect therein, the Parties shall cooperate to duly complete or to correct such incomplete or inaccurate electronic transfers as soon as practicable and, thereafter, Vendor shall promptly re-submit such electronic transfers and Purchaser shall accept such electronic transfers from Vendor immediately without delay.

- (h) Purchaser shall bear all costs, fees and deposits of every nature and kind incurred (whether by Vendor or Purchaser) in distributing and registering any Specific Conveyances and registering any further assurances or security required of Purchaser to convey the Assets to Purchaser and to have Purchaser recognized as the holder thereof; and Vendor, acting reasonably, may include an amount in respect thereof in the Final Statement of Adjustments that it actually incurs. If, for any reason, the AER or any other Governmental Authority or any other Third Party requires Purchaser to make a deposit, to provide any undertakings, information or other documentation or to take any action as a condition of or a prerequisite for the approval of the transfer of any Permits or the transfer or assignment of any of the Assets to Purchaser, immediately after receiving notice of such requirements and at its sole cost, Purchaser shall make such deposits, provide such undertakings, information or other documentation and take such action, as the case may be. If a Governmental Authority or any other Third Party requiring consent, approval or novation to the transfer or assignment of any of the Title and Operating Agreements refuses to approve, recognize or novate Purchaser as having taken assignment of the applicable Title and Operating Agreements due to concerns raised as to Purchaser's financial capacity to meet its ongoing obligations in respect of such Assets, Purchaser shall, at its sole cost, take such action as is commercially reasonable to satisfy the Third Party of such financial capacity in order to obtain such approval, recognition or novation as may be required by the applicable Title and Operating Agreement.
- (i) In the event that Purchaser is required to make a deposit with the AER or any other Governmental Authority or any other Third Party as provided under Clause 3.06(h), Purchaser shall give written notice to Vendor of such requirement, including all relevant details received by Purchaser in relation to same. If Purchaser fails to make the deposit by the deadline specified by the applicable Third Party, then Vendor shall have the right, but not the obligation, to make such deposit on behalf of Purchaser and Purchaser acknowledges and agrees that Vendor shall be Purchaser's agent with full power and authority to make such deposit for and on behalf of Purchaser. Purchaser shall reimburse Vendor for the

amount of any such deposit made by Vendor and pay interest on the amount of such deposit at an annual rate equal to the Prime Rate plus five percent (5%) calculated and compounded daily, from the date on which Vendor paid the deposit to the date on which the reimbursement for such deposit and payment of the corresponding interest is made in full. In addition to all other rights that may be available to Vendor for the collection of such amounts from Purchaser, Vendor shall have the right to set-off the amount of any such deposit or adjust for such amounts in accordance with the adjustment mechanism contemplated by Article 15, including interest as provided in this Clause 3.06(i), against any monies payable by Vendor to Purchaser pursuant to this Agreement.

- (j) It shall not be necessary for assignment and novation agreements to have been executed prior to or at Closing by parties thereto other than Vendor and Purchaser. After Closing, Vendor shall cooperate with Purchaser in its procurement of the execution of such documents and any substitutions, amendments or replacements thereof by the parties thereto other than Vendor and Purchaser. After Closing, Purchaser shall use all reasonable efforts to become, as soon as reasonably practicable, the recognized and beneficial holder of the Assets in the place and stead of Vendor or its Affiliates or any predecessors in interest and shall promptly register all Specific Conveyances; provided, however, in furtherance thereof, Vendor may elect to register on behalf of Purchaser all transfers of well licenses, pipeline permits and similar documents. Vendor, where Purchaser is the registering Party, and Purchaser, where Vendor is the registering Party, shall promptly take whatever steps are necessary to verify such registrations.
- (k) Purchaser hereby acknowledges that Mineral Surface Lease [*mineral lease number redacted*], as listed in Schedule I will not be transferred to Purchaser on Closing, as it expired on October 5, 2020. Vendor will use commercially reasonable efforts, including submitting an as-built survey to the AER, to obtain a new mineral surface lease in Vendor's name, upon which Vendor will transfer such mineral surface lease to Purchaser. The Parties acknowledge that Vendor may not receive such mineral surface lease prior to Closing and the receipt of the new mineral surface lease shall not be a condition to Closing, provided that if Vendor obtains such mineral lease following Closing, Vendor agrees to assign such mineral surface lease to Purchaser in accordance with Clause 6.01(b).

3.07 **Change of Ownership.** Nothing in this Agreement is to be interpreted as an assurance by Vendor that Purchaser will be able to serve as operator with respect to any of the Assets in which interests are held by Third Parties, whether or not such Assets are presently operated by Vendor, provided

that, where Vendor is currently the operator of any Assets, Vendor covenants with Purchaser that Vendor will do all such commercially reasonable things allowed under the terms of the Title and Operating Documents to obtain the appropriate consents and approvals to enable Purchaser to become the operator of such Assets, provided that it shall not be a condition of Closing that Purchaser be transferred operatorship to any of the Assets. Further, if after Closing, a Third Party is legally entitled to become operator of any of the Assets as a result of the Transaction, each Vendor and Purchaser shall make all reasonable efforts to comply with the operatorship provisions in the relevant Title and Operating Documents pertaining to the Assets.

#### **Article 4 REPRESENTATIONS AND WARRANTIES**

4.01 **Representations and Warranties of Vendor.** Vendor and Warranting Party make the following representations and warranties jointly and severally to Purchaser with respect to each of them and the Assets, and each representation by Vendor shall be deemed to be also made by Warranting Party:

- (a) **Standing.** Vendor is duly organized, valid and subsisting, registered to carry on business in the Province of Alberta and registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) **Requisite Authority.** Vendor has the requisite capacity, power and authority to enter into and execute this Agreement and the agreements and instruments required by this Agreement to be delivered by it, and to perform the obligations hereunder and thereunder;
- (c) **No Conflict.** The execution and delivery of this Agreement and, provided that the Required Approvals are obtained, the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
  - (i) any term or provision of the partnership agreement and other governing documents of Vendor;
  - (ii) any agreement, instrument, permit or authority to which Vendor is a party or by which Vendor is bound; or
  - (iii) any Regulation, judicial order, award, judgment or decree applicable to Vendor or the Assets;
- (d) **Execution and Enforceability.** Vendor has taken all actions necessary to authorize the execution and delivery of this Agreement, and, as of the Closing Time, Vendor shall have taken all actions necessary to authorize and complete the sale of the

Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by Vendor and Warranting Party, and this Agreement does, and all other documents executed and delivered on behalf of Vendor hereunder shall constitute valid and binding obligations of Vendor enforceable in accordance with their respective terms and conditions, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and except that rights of indemnity and contribution contained in this Agreement or any such other agreements may be limited under applicable law;

- (e) Title to Assets. Neither Vendor nor Warranting Party warrants title to the Assets, but each does jointly and severally warrant that Vendor's interest in the Assets at Closing will be free and clear of any and all liens, mortgages, pledges, options, encumbrances or other burdens for which Purchaser will be responsible that were created by, through or under Vendor or of which Vendor has knowledge, except for the Permitted Encumbrances;
- (f) Quiet Enjoyment. Subject to Schedule I, Vendor's and Warranting Party's other representations and warranties made pursuant to this Clause 4.01, the Permitted Encumbrances, and the rents, covenants, conditions and stipulations in the Leases on the lessee's or holder's part thereunder to be paid, performed and observed, Purchaser, from and after the Closing Time, may, for the remainder of the term of the Leases, take possession of and use the Assets for its own use and benefit without any interruption by Vendor or any Person claiming by, through or under Vendor;
- (g) No Default Notices. Except as disclosed in the Vendor Data Room, Vendor has not received any notice of default or notice of non-compliance in respect of the Assets under the Regulations or the Title and Operating Documents or any notice alleging its default thereunder, which default remains outstanding or unsatisfied at the Closing Time;
- (h) Compliance with Leases and Agreements. Except as disclosed in the Vendor Data Room, to Vendor's or Warranting Party's knowledge, there has been no act or omission whereby it is, or would be, in default under the Regulations or any of the Title and Operating Documents, which default would reasonably be expected to have a Material Adverse Effect on the Assets;

- (i) Taxes and Royalties Paid. To Vendor's or Warranting Party's knowledge, all royalties (other than compensatory royalties) and all ad valorem, property, production and similar Taxes and assessments based on or measured by the ownership of property or the production of Petroleum Substances, or the receipt of proceeds therefrom, payable in respect of the Assets prior to the Effective Time have been fully paid and discharged, or will be paid by Vendor upon coming due. There are no unpaid Taxes or assessments which could result in a lien or charge on the Assets;
- (j) Compensatory Royalties, Offset Notices. (i) As of the date hereof, there are no unpaid compensatory royalties outstanding in respect of production of Petroleum Substances from the Lands; and (ii) Vendor has not received any notice of compensatory royalties or offset notices pertaining to the Assets under the terms of any Title and Operating Agreement that remain outstanding any material respect;
- (k) Residency. Vendor is not a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada)) and Vendor is a "Canadian partnership" within the meaning of the *Income Tax Act* (Canada);
- (l) Finders' Fees. Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the sale of the Assets for which Purchaser will have any obligation or liability;
- (m) Proceedings. Other than as disclosed on Schedule G hereto, or in the Vendor Data Room, no formal proceedings, actions, lawsuits or arbitration in respect of a Claim have been commenced against Vendor, nor to the knowledge of Vendor or Warranting Party, have any formal proceedings, actions, lawsuits or arbitrations in respect of a Claim been threatened against Vendor or any Third Party, which might result in impairment or loss of the interest of Vendor in and to any of the Assets which would reasonably be expected to have a Material Adverse Effect on the Assets;
- (n) Prepaid Obligations. Except as disclosed in the Vendor Data Room, Vendor is not obligated by virtue of a prepayment, gas balancing, or other arrangement under any contract to make any production payment or to deliver Petroleum Substances produced from the Assets to any Third Party at some future time without receiving in due course (and being entitled to retain) full payment therefore at current market prices or contract prices;
- (o) Reduction of Interests. Except as otherwise disclosed in Schedule A, or as disclosed in the Vendor Data Room, Vendor's interest in the Petroleum Interests is not subject to reduction by reference to

payout of or production penalty on any Well or otherwise through any right or interest granted by, through or under it or of which Vendor or Warranting Party has knowledge;

- (p) Right of First Refusal. Except as disclosed in Schedule A or Schedule B, to Vendor's or Warranting Party's knowledge, no Person has any Right of First Refusal;
- (q) Area of Mutual Interest. The Assets are not subject to an agreement which provides for areas of mutual interest or areas of exclusion;
- (r) Area of Dedication: Except for the Service Agreements and the Marketing and Transportation Agreements, the Assets are not subject to any dedication of reserves or lands.
- (s) Financial Commitments. In respect of the Assets, except in connection with the AFEs set forth in Schedule F, or as disclosed in the Vendor Data Room, there are no financial commitments of Vendor pertaining to the Assets under which individual expenditures in excess of \$50,000.00 which are due as of the date hereof or which may become due by virtue of matters occurring or arising prior to the date hereof, other than usual operating expenses incurred in the normal conduct of operations;
- (t) Service Agreements. Except where listed in Schedule E, the Service Agreements do not include any:
  - (i) hedging arrangements;
  - (ii) agreements for the sale of Petroleum Substances;
  - (iii) gas balancing or similar agreements;
  - (iv) transportation agreements;
  - (v) processing agreements; or
  - (vi) agreements for treating or handling the Petroleum Substances;

which cannot be terminated on notice of 31 days or less (without an early termination penalty);

- (u) Environmental Matters. Except as have been disclosed in the Vendor Data Room, Vendor has not received, nor is it aware of:
  - (i) any orders or directives under any Regulation which relates to Environmental Liabilities and which requires any work,

repairs, construction or capital expenditures with respect to the Assets, where such orders or directives have not been complied with in all material respects; or

- (ii) any demand or notice issued under any Regulation with respect to the breach of any Environmental, health or safety laws applicable to the Assets, including any Regulation respecting the use, storage, treatment, transportation or disposition of Environmental contaminants, which demand or notice remains outstanding in any material respect at the date hereof.
- (v) Spills, Releases, etc. To the knowledge of Vendor and Warranting Party, there have been no material spills, releases, deposits or discharges of Hazardous Substances onto the Lands which are reportable pursuant to the Regulations and for which Vendor or its Affiliates are responsible that have not been fully remedied in all material respects.
- (w) Receipt of Revenues: To the knowledge of Vendor and Warranting Party, Vendor has been receiving the share of the net proceeds of production from the Assets attributable to its interest in the Assets and no Person has provided Vendor with written notice of, nor does Vendor or Warranting Party have any knowledge of, a Claim by any Person that Vendor is not entitled to such amounts, with the possible exception of: (i) Claims of accounting errors which do not challenge the percentage share of revenues to which it is entitled and which are not material; and (ii) Claims subject to resolution through insolvency, receivership, or bankruptcy proceedings involving Third Parties.
- (x) Facilities: To Vendor's or Warranting Party's knowledge, Vendor has good and valid title to the Facilities.
- (y) Operations: the Wells and Tangibles have been operated and, if applicable, abandoned in all material respects in accordance with generally accepted oil and gas field practices and the material requirements of Applicable Law during the period or periods in which Vendor has been the operator thereof.
- (z) Possession of Necessary Licenses and Permits: In relation to the Assets, Vendor or Warranting Party, on behalf of Vendor, has obtained all material Permits that are applicable to or held by Vendor, or are necessary to conduct its business as it is now being conducted, and to Vendor's knowledge all such material Permits are valid and subsisting, and Vendor has not received any written notice of non-compliance by any Governmental Authority in respect of the any of such Permits.

- (aa) Operating Statements: The Operating Statements have been prepared in accordance with the financial framework specified in subsection of 3.11(5) of National Instrument 52-107.
- (bb) Information: Vendor has not knowingly withheld from Purchaser any document in its possession (or a summary of any document that could not be provided due to confidentiality restrictions) requested by Purchaser (whether specifically or as part of a general request for similar materials) for the purpose of conducting Purchaser's due diligence investigations in respect of the Assets and Vendor has not knowingly omitted to provide any information that would reasonably be expected to cause any information so provided by Vendor to be misleading or incomplete in any material respect.
- (cc) Share Ownership. As of the date hereof, Vendor does not beneficially own or exercise control or direction over any Common Shares or any securities convertible into or exchangeable for Common Shares.
- (dd) Acquiring as Principal: Vendor is acquiring the Equity Consideration as principal and not on behalf of any Third Party and does not have a present intention to sell all or any of the Equity Consideration directly or indirectly to any Third Party.

#### 4.02 **Limitation of Representations and Warranties.**

- (a) Vendor and Warranting Party make no representations or warranties of any kind or nature, express or implied, at law or in equity except as expressly set forth in Clause 4.01 and in particular, and without limiting the generality of the foregoing, Vendor and Warranting Party each hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other document or instrument or in any statement or information made or communicated to Purchaser or its Representatives in any manner, except for those expressly set forth in Clause 4.01.
- (b) Except for the representations and warranties expressly set forth in Clause 4.01, Purchaser hereby waives and Vendor and Warranting Party each hereby expressly negates and disclaims, and shall not be liable for, any representations or warranties made or alleged to have been made to Purchaser or its Representatives with respect to any of the following matters:
  - (i) any information provided in the Vendor Data Room including data or information provided or made available to Purchaser by Vendor's Representatives in the Data Room, in site visits,

in management presentations, in meetings with Vendor's or Warranting Party's management or employees or otherwise or any fact, matter, event or circumstance otherwise known by Purchaser prior to the execution of this Agreement;

- (ii) the value of the Assets or the future cash flow therefrom;
  - (iii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
  - (iv) the quality, condition, fitness for any particular purpose or merchantability of any Tangibles;
  - (v) the Environmental condition of the Lands or any lands pooled or unitized therewith or any Surface Rights or any Environmental Liabilities;
  - (vi) the effectiveness, standing or condition of any Miscellaneous Interests;
  - (vii) any engineering or geological information or interpretations thereof or any economic evaluations;
  - (viii) title to the Assets; or
  - (ix) any Liabilities or Claims related to the Assets.
- (c) In acquiring the Assets, Purchaser acknowledges and confirms that except as expressly provided in this Agreement: (i) it will accept the Assets on the basis that the Assets are on an "as is-where is" basis without representation and warranty; (ii) it has performed its own due diligence and it has not relied on any data, information, statement or advice provided to Purchaser or Representatives by Vendor or its Representatives; and (iii) in agreeing to enter into and to consummate the transactions contemplated hereby, it has relied on its own inspections and evaluations of the Assets and the Environmental Liabilities.
- (d) Except for Purchaser's rights under this Agreement, Purchaser on its own behalf and on behalf of its Representatives, hereby waives all Claims, rights and remedies whatsoever (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies except as a result of Fraud) that Purchaser or any of its Representatives may now or at any time in the future have against Vendor or any of its Representatives in respect of the Assets or the transactions to be effected pursuant to this Agreement, or any representations or statements made, or information or data furnished, to Purchaser

or any of its Representatives in connection herewith or otherwise (whether made or furnished by Vendor or any of its Representatives or Third Parties and whether made or furnished orally or by electronic, faxed, written or other means).

4.03 **Representations and Warranties of Purchaser.** Purchaser makes the following representations and warranties to Vendor:

- (a) **Standing.** Purchaser is, and at the Closing Time shall continue to be, duly organized, valid and subsisting, registered to carry on business in the Province of Alberta and registered to carry on business in the jurisdiction(s) where its assets and the Assets are located;
- (b) **Requisite Authority.** Purchaser has the requisite capacity, power and authority to enter into and execute this Agreement and the agreements and instruments required by this Agreement to be delivered by it, and to perform the obligations hereunder and thereunder, including to issue the Equity Consideration (including the Common Shares issuable pursuant to the valid exercise of the Warrants);
- (c) **No Conflict.** The execution and delivery of this Agreement and, provided that the Required Approvals are obtained, the completion of the purchase and sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
  - (i) any term or provision of the articles, bylaws or other governing documents of Purchaser;
  - (ii) any agreement, instrument, permit or authority to which Purchaser is a party or by which Purchaser is bound; or
  - (iii) any Regulation, judicial order, award, judgment or decree applicable to Purchaser or the Assets.
- (d) **Execution and Enforceability.** Purchaser has taken all actions necessary to authorize the execution and delivery of this Agreement, and, as of the Closing Time, Purchaser shall have taken all actions necessary to authorize and complete the purchase of the Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by Purchaser, and this Agreement does constitute, and all other documents executed and delivered on behalf of Purchaser hereunder shall constitute valid and binding obligations of Purchaser enforceable in accordance with their respective terms and conditions, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, all laws relating to fraudulent transfers), reorganization,

moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and except that rights of indemnity and contribution contained in this Agreement or any such other agreements may be limited under applicable law.

- (e) Finders' Fee. Purchaser has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of its purchase hereunder for which Vendor will have any obligation or liability;
- (f) Investment Canada Act. Purchaser is not a "non-Canadian" person within the meaning of the *Investment Canada Act* (Canada);
- (g) Qualification. At Closing, Purchaser shall meet all qualification requirements of Third Parties, and in particular the AER, to purchase and take a transfer of the Assets, including the transfer of the applicable Permit for any Well or Tangibles for which it is intended to replace Vendor as operator or licensee following Closing;
- (h) Availability of Funds. Purchaser has arranged to have available by the Closing Date sufficient immediately available funds in the specified currency to enable it to pay in full the Closing Payment (and any additional amounts payable) to Vendor as herein provided;
- (i) Acquiring as Principal: Purchaser is acquiring the Assets as principal and not on behalf of any Third Party and does not have a present intention to sell the Assets directly or indirectly to any other Person.
- (j) No Bankruptcy/Insolvency: It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act (Canada)* and, is able to pay its debts as and when they fall due, it has not stopped or suspended, or threatened to stop or suspend, payments of all or any call of its debts, it has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no resolution has been passed by its board of directors for the winding up or dissolution of it and no proceedings have occurred, or to its knowledge, been threatened, for the purpose of winding it up or dissolving it and no petition for a receiving order, winding-up or dissolution has been presented in respect of it and there are no circumstances justifying such a petition or other process. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for the assignment of any of its assets for the benefit of its creditors or for the winding up, liquidation or dissolution of it. No receiver or interim receiver, receiver-manager, monitor, judicial manager, liquidator,

administrator, trustee or like official has been appointed in respect of it or any of its undertakings, property or assets (including any of the Equity Consideration) and no execution or distress has been levied on any of its undertakings, property or assets (including any of the Equity Consideration), nor have any proceedings been commenced in connection with any of the foregoing.

- (k) No Lawsuits or Claims: Purchaser has not received notice of any Claims in existence, contemplated, nor, to its knowledge, pending or threatened against it to seek to prevent the consummation of the Transaction. No formal proceedings, actions, lawsuits or arbitration in respect of a Claim have been commenced against Purchaser, nor to the knowledge of Purchaser, have any formal proceedings, actions, lawsuits or arbitrations in respect of a Claim been threatened against Purchaser or any Third Party, which might reasonably be expected to have a Material Adverse Effect on Purchaser.
- (l) Proceedings: No formal proceedings, actions, lawsuits or arbitration in respect of a Claim have been commenced against Purchaser, nor to the knowledge of Purchaser, have any formal proceedings, actions, lawsuits or arbitrations in respect of a Claim been threatened against Purchaser or any Third Party, which might result in impairment or loss to Purchaser which would reasonably be expected to have a Material Adverse Effect on Purchaser;
- (m) Compliance with Anti-Corruption Legislation: It and its subsidiaries have not directly or indirectly, (i) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any Governmental Authority, authority or instrumentality of any jurisdiction or (ii) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the Canada Corruption of Foreign Public Officials Act, or the rules and regulations promulgated thereunder.
- (n) Compliance with Anti-Money Laundering Laws: Its operations and the operations of its subsidiaries are, and have been conducted at all times, in compliance with applicable financial recordkeeping and reporting requirements and the Money Laundering Laws and no action, suit or proceeding by or before any court, Governmental Authority or arbitrator involving it or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to its knowledge, threatened.

- (o) Compliance with Regulations: Purchaser has conducted and is conducting its business in compliance with all Regulations applicable to Purchaser in each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of Purchaser, as now conducted and as presently proposed to be conducted except where failure to so conduct its business or hold such licenses, registrations or qualifications would not have a Material Adverse Effect on Purchaser, and all such licenses, registrations or qualifications are valid and existing and in good standing and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on the business or affairs of Purchaser, as now conducted or proposed to be conducted;
- (p) Equity Consideration: The Common Shares and Warrants issuable to Vendor hereunder, when issued, will have been duly and validly authorized and, the Common Shares, including the Common Shares issuable pursuant to the valid exercise of the Warrants, when issued, shall be issued as fully paid and non-assessable common shares in the capital of Purchaser.
- (q) Securities Laws: The Equity Consideration (and for greater certainty, the Common Shares issuable on exercise of the Warrants) will be subject to a "restricted period" (as such term is defined in National Instrument 45-102 ("**NI 45-102**")), and such other restrictions as are applicable by virtue of Vendor being a "control person" (as such term is defined in the *Securities Act* (Alberta)) of Purchaser.
- (r) Shareholder Agreements; Registration Rights: There are no unanimous shareholder agreements and, to its knowledge, there are no shareholders' agreements, voting agreements, investors' rights agreements or other agreements in force or effect as of the date hereof or will be at the Closing Time (other than the Investor Agreement contemplated herein) which in any manner affects or will affect the voting or control of any of its securities or that materially affects or materially will affect the control of Purchaser.
- (s) Shareholder Rights Plan: Purchaser has not adopted any shareholder rights plan that are in effect.
- (t) Absence of Manipulation: It has not taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in, under Applicable Securities Laws or otherwise, the stabilization or manipulation of

the price of any of its securities to facilitate the sale or resale of the Equity Consideration.

- (u) Licenses and Permits: Purchaser has all licenses, franchises, permits authorizations, approvals and orders and other concessions of and from all Governmental Authorities that are necessary to own or lease its properties and assets and to conduct its business as described in the Public Record, except where such failure materially affects Purchaser.
- (v) Title to Assets: Although it does not warrant title, Purchaser does not have reason to believe that it does not have title to or, subject to the documents of title related thereto, the irrevocable right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing, are referred to as the "**Purchaser Interests**") and does represent and warrant that the Purchaser Interests are free and clear of material adverse claims created by, through or under Purchaser, except as disclosed in the Public Record or those arising in the ordinary course of business, and, to the knowledge of Purchaser, it holds the Purchaser Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold an individual Purchaser Interest would not have a Material Adverse Effect upon Purchaser.
- (w) Financial Statements: The Purchaser Financial Statements and any interim unaudited financial statements of Purchaser as at and for a fiscal quarter ending prior to the Closing Date and filed by Purchaser in accordance with its obligation under Applicable Securities Laws, and financial statements of Purchaser in the Public Record, together with the related notes, present fairly in all material respects the financial position of it and its subsidiaries at the dates indicated and the earning, retained earnings and cash flows of it and its subsidiaries for the periods specified; said financial statements comply as to the form with the applicable accounting requirements of Applicable Securities Laws as interpreted and applied by the Canadian securities commissions, as applicable, and have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved.
- (x) Subsidiaries: Other than the Subsidiary, Purchaser does not have any other subsidiaries, nor is it affiliated with or a "holding corporation" of any other body corporate (within the meaning of such term in the Securities Act (Alberta)), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships. The Subsidiary is, and at the Closing Time shall continue to be, duly

organized, valid and subsisting, registered to carry on business in the Province of Alberta and registered to carry on business in the jurisdiction(s) where its assets are located. The Subsidiary is wholly-owned by Purchaser.

- (y) Internal Controls and Disclosure Controls: Purchaser and its Subsidiary maintain "internal control over financial reporting" (as such term is defined in National Instrument 52-109); such internal control over financial reporting and procedures are effective and Purchaser is not aware of any material weakness in its internal control over financial reporting; and Purchaser maintains "disclosure controls and procedures" (as such term is defined in National Instrument 52-109); such disclosure controls and procedures are effective;
- (z) Authorized and Issued Share Capital: Purchaser is authorized to issue an unlimited number of Common Shares, of which no more than 145,044,493 shares are issued and outstanding as of the date of this Agreement, and except as provided for herein and other than the 21,739,130 Common Share purchase warrants of Purchaser and the 6,337,502 options to purchase Common Shares under Purchaser's stock option plans, no Person has any agreement, option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement (including convertible securities or warrants) for the purchase, subscription or issuance of common shares in the capital of Purchaser; when entered into in connection with the Transaction, no Person has the right to require Purchaser or any of its subsidiaries to qualify or register any securities for sale under the Applicable Securities Laws by reason of the issuance of the Equity Consideration.
- (aa) Public Record: The information and statements filed by or on behalf of Purchaser in the Public Record in compliance, or intended compliance, with Applicable Securities Laws, were true and correct in all material respects and did not contain any material misrepresentation, as of the date of such information or statements, and Purchaser has not filed any material change reports which continue to be confidential.
- (bb) Reserves Report: Purchaser made available to GLJ Petroleum Consultants Ltd., prior to the issuance of the report effective December 31, 2019 in respect of the reserves of Purchaser, for the purpose of preparing such report, all information requested by GLJ Petroleum Consultants Ltd., which information, to the knowledge of Purchaser, taken as a whole did not contain any material misrepresentation at the time such information was so provided.

- (cc) Transfer Agent: Odyssey Trust Company has been duly appointed as transfer agent and registrar for Purchaser's shares.
- (dd) Absence of Restrictions by Securities Commissions: No securities commission, stock exchange or similar securities regulatory authority has issued any order which is currently outstanding preventing or suspending trading in any of Purchaser's securities and, no such proceeding is, to the knowledge of Purchaser, pending or contemplated or threatened.
- (ee) Listing: The issued and outstanding Common Shares of Purchaser are listed and posted for trading on the TSX and Purchaser is not in default of its listing requirements on the TSX in any material respect.
- (ff) Reporting Issuer: Purchaser is a "reporting issuer" (within the meaning of Applicable Securities Laws) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and Purchaser has not received any correspondence or notice from a securities commission or similar securities regulatory authority in any of the provinces or territories of Canada concerning a review of any of Purchaser's continuous disclosure documents in respect of which any matters remain outstanding.
- (gg) No Default: To Purchaser's knowledge, no other party is in default in the observance or performance of any term or obligation to be performed by such other party under any contract to which Purchaser is a party or by which it is bound and no event has occurred which after notice or lapse of time or both would result in a breach of or constitute a default under such a contract, in any such case which default or event would reasonably be expected to have a Material Adverse Effect on Purchaser or would impair the ability of Purchaser to consummate the issuance of the Equity Consideration hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement.
- (hh) No Material Change: there has not been any material change in the capital, assets, liabilities or obligations (absolute, contingent or otherwise) of Purchaser from the position set forth in the Financial Statements other than as disclosed in the Public Record.
- (ii) Insurance: Purchaser is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring Purchaser or its businesses, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not have a Material Adverse Effect in relation to Purchaser; there are no

material claims by Purchaser under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; Purchaser has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect in relation to Purchaser;

- (jj) Outstanding Indebtedness: Purchaser does not have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with Purchaser that are currently outstanding;
- (kk) Government Incentives: All filings by Purchaser pursuant to which Purchaser has received, or is entitled to receive, government incentives, have been made in accordance, in all material respects, with all applicable legislation and other requirements relating thereto and contained no misrepresentations of material fact nor omitted to state a material fact which could cause any amount previously paid to Purchaser or previously accrued on the accounts thereof to be recovered or disallowed;
- (ll) Related Parties: No officer, director, employee or any other person not dealing at arm's length with Purchaser or, to the knowledge of Purchaser, any associate or affiliate of any such Person, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from Purchaser's properties or assets or any revenue or rights attributed thereto;
- (mm) Conflict of Interest: None of the directors, officers or, to the knowledge of Purchaser, employees of Purchaser, or any Person who owns, directly or indirectly, more than 10% of any class of securities of Purchaser, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction, other than as disclosed in the Public Record, or any proposed material transaction with Purchaser which, as the case may be, materially affects, is material to or will materially affect Purchaser;
- (nn) Securities Rulings: To the knowledge of Purchaser, none of its directors or officers are subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;

- (oo) Full Disclosure: This Agreement and the contents and information of the Purchaser Data Room taken together disclose all material facts related to Purchaser and its business, financial condition, assets, liabilities and operations and all information contained therein, to the knowledge of Purchaser, is true, accurate, complete and not misleading;
- (pp) Restrictions on Business Activities: There is no agreement, judgment, injunction, order or decree binding upon Purchaser that has or would reasonably be expected to have the effect of prohibiting, restricting or materially impairing any business practice of Purchaser or the conduct of business by Purchaser as currently conducted which would reasonably be expected to have a Material Adverse Effect on Purchaser;
- (qq) Residency: Purchaser is not a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada);
- (rr) Tax Matters:
  - (i) Purchaser has filed all Tax returns required to be filed by it prior to the date hereof or prior to Closing and such Tax returns are true and complete and accurate in all material respects;
  - (ii) Purchaser has paid all Taxes when due and payable by it prior to the date hereof other than Taxes being contested in good faith by Purchaser;
  - (iii) Purchaser has collected or withheld and remitted to the appropriate Governmental Authority all Taxes required to be withheld and remitted by it; and
  - (iv) There are no actions, assessments, investigations or Claims in respect of Taxes now subsisting, nor, to the knowledge of Purchaser, pending or threatened against Purchaser.

## **Article 5**

### **SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

5.01 **Survival of Representations and Warranties**. Except where a time is specified therein, the representations and warranties in Article 4 shall be true as of the date hereof and at the Closing Time (except to the extent given in respect of a particular date, in which case such representation and warranty need only be true as of such date, including, in respect of Clause 4.03(p), which shall be true at the dates of issuance of the Common Shares and Warrants), and such representations and warranties shall continue in full force and effect and shall survive the Closing Time for the benefit of the Party or Parties for which such representations and warranties were made provided that no Claim shall be

commenced by a Party with respect to a breach of any such representation or warranty or indemnification under Article 13 in respect thereof, unless, prior to expiry of the Survival Period, written notice specifying such breach in reasonable detail has been provided by the claiming Party, and each Party waives any rights it may have at law or otherwise to commence a Claim for breach of representation or warranty or indemnification under Article 13 in respect thereof after that period.

5.02 **No Merger**. The representations and warranties in Article 4 shall be deemed to apply to all assignments, conveyances, transfers and other documents conveying any of the Assets from Vendor to Purchaser and of the Equity Consideration from Purchaser to Vendor. There shall not be any merger of any such representations or warranties in such assignments, conveyances, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

## **Article 6 OTHER COVENANTS**

6.01 **Operations**. From the date hereof until Closing,

- (a) Vendor will maintain the Assets in a prudent manner in accordance with generally accepted oil field practices and the Regulations and consistent with past practices, and conducting operations or incurring expenses pursuant to an AFE set forth in Schedule F (without the requirement to obtain the prior consent of Purchaser), provided that nothing in this Article 6 shall require Vendor to initiate any capital expenditures or incur other expenses other than operating expenditures incurred in accordance with the provisions of Clause 6.01(b), Clause 6.02 and Clause 6.03. Subject to the foregoing sentence, Vendor shall, until Closing, comply with all of its obligations with respect to the Assets under the Title and Operating Documents, will pay when due all expenses and other amounts payable in respect of the Assets and will maintain any insurance it holds respecting the Assets, provided that Vendor will not be required to obtain additional insurance respecting the Assets; and

- (b) [*interim period covenants redacted*]

6.02 **Administration of Assets**. Vendor shall retain the responsibility for administration of the Assets for all periods of time prior to Closing. For the purpose of this Clause 6.02 the expression "administration" shall mean responsibility for joint venture billing, computation and payment of rents and royalties, filing of production reports with the appropriate Governmental Authorities and other similar administrative activities. It is further understood and agreed that certain administration functions for periods prior to Closing will be performed by Vendor after Closing as follows:

- (a) unless otherwise directed by Purchaser, Vendor shall pay on behalf of Purchaser all rentals and shut-in royalty payments for Crown and freehold mineral and surface leases which are due and payable on or before the end of the second calendar month following Closing.
- (b) Vendor will be responsible for production accounting for all production months up to and including the production month following the month in which Closing occurs and Purchaser shall be responsible for production accounting for all production months thereafter.
- (c) If, prior to Closing, the Parties mutually agree that it is desirable for Vendor provide any of the services set forth in this Clause 6.02 for a period longer than as specified herein, or that Vendor provide any other or additional transitional services in respect of the administration of the Assets to Purchaser following Closing, the Parties shall use commercially reasonable efforts to negotiate, prior to Closing, the particulars of such services and the terms under which Vendor shall provide them and, in the event they have done so, the Parties shall, at Closing, enter into a transition services agreement in such form as is mutually acceptable to them, acting reasonably. The resolution of a mutually agreeable transition services agreement shall not be a condition to Closing, nor shall the obligation to negotiate and enter into a transition services agreement be construed as a post-closing covenant binding on either Vendor or Purchaser.

6.03 **Material Commitments.** Until Closing, Vendor will provide to Purchaser copies of all AFEs, notices and mail ballots that Vendor receives respecting the Assets and will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed:

- (a) assume any new obligation or commitment respecting the Assets, if Vendor's share of the associated expenditure is estimated to exceed \$50,000.00, except:
  - (i) for amounts that Vendor is committed to expend or is deemed to authorize under the Title and Operating Documents without its specific authorization or approval; or
  - (ii) to the extent that Vendor reasonably determines that those expenditures or actions are necessary for the protection of life and property, provided that Vendor will promptly notify Purchaser of any such expenditure or action;
- (b) sell, transfer or otherwise dispose of any of the Assets, except for:

- (i) sales of Petroleum Substances produced from the Lands or any lands pooled or unitized therewith reasonably made by Vendor in the ordinary course of business; or
  - (ii) to the extent required to comply with any Right of First Refusal;
- (c) surrender or abandon any of the Assets;
  - (d) amend any of the Title and Operating Documents (other than for processing of assignments by Third Parties in the ordinary course of business), terminate any of the Title and Operating Documents, enter into any new agreement respecting the Assets or vote on any mail ballot or other similar notice issued under the Title and Operating Documents; or
  - (e) subject to Clause 6.01 and Clause 6.03(a), propose or initiate the exercise of any options arising as a result of ownership of the Assets (including rights under area of mutual interest provisions and any Right of First Refusal), or propose or initiate any operations with respect to the Assets if Vendor's share of the associated expenditure is estimated to exceed \$50,000.00.

6.04 **Post-Closing Maintenance of Assets.** For a period of one hundred and twenty (120) days following the Closing Time, and to the extent that Purchaser must be recognized by Third Parties under the Title and Operating Documents or otherwise recognized as the owner of the Assets, Vendor shall forward to Purchaser all AFEs, notices, mail ballots, specific information and other documents Vendor receives respecting the Assets. To the extent that a Title and Operating Document contemplates or requires a response from Vendor, Vendor will provide such response pursuant to the written instruction of Purchaser, provided that such instruction is provided by Purchaser to Vendor in a timely manner.

6.05 **Vendor Deemed Agent.**

- (a) Insofar as Vendor maintains the Assets and takes actions on behalf of Purchaser in accordance with this Article 6 and the License Transfer Letter Agreement, as applicable and/or until Purchaser is recognized by applicable Third Parties under the applicable Title and Operating Documents or otherwise recognized as the owner of the Assets, Vendor shall be deemed to be an agent of Purchaser hereunder and Purchaser ratifies and confirms all actions taken, or refrained from being taken, by Vendor under this Article 6, with the intention that all of those actions will be deemed to be those of Purchaser, except to the extent that Vendor's actions constitute gross negligence or wilful misconduct provided that an act or omission will not be regarded as gross negligence or wilful misconduct under this Clause 6.05 to the extent that it was done

or omitted to be done in accordance with Purchaser's written instructions, concurrence or acquiescence.

- (b) Purchaser shall be liable for and indemnify and save harmless Vendor and its Representatives from and against all Claims, Losses and Liabilities arising as a consequence of Vendor's actions in compliance with the provisions of this Article 6, except to the extent caused by the gross negligence or wilful misconduct of Vendor under this Clause 6.05 or to the extent that it was done or omitted to be done in accordance with Purchaser's written instructions, concurrence or acquiescence.

6.06 **Costs.** Vendor may require that Purchaser advance or otherwise secure any costs to be incurred by Vendor on behalf of Purchaser under Clause 6.02 or Clause 6.03 in such manner as may be reasonably appropriate in the circumstances.

6.07 **Financial and Other Information Relating to the Assets.**

- (a) Vendor shall provide such assistance and information as Purchaser may reasonably request in connection with the preparation of the Purchaser Disclosure Documents (as defined below). Without limiting the generality of the foregoing, Vendor shall promptly furnish to Purchaser all information concerning it, its Affiliates and the Assets as may be required pursuant to Applicable Securities Laws for inclusion in: (i) the management information circular of Purchaser to be sent to shareholders of Purchaser in connection with the special meeting to consider and vote on the ordinary resolution approving the issuance of the Common Shares and the Common Shares issuable on exercise of the Warrants; (ii) the business acquisition report to be prepared and filed in connection with the Transaction; and (iii) any other disclosure as Purchaser prepares in accordance with Applicable Securities Laws (including requirements or formal requests made by applicable securities regulatory authorities and/or the TSX), (the "**Purchaser Disclosure Documents**"), which Vendor and Purchaser acknowledge and agree shall include the Operating Statements and the Reserves Information (the "**Vendor Information**").
- (b) Vendor shall, on or before the date of this Agreement and in any event no later than November 12, 2020, deliver to Purchaser the Vendor Information for inclusion in the Purchaser Disclosure Documents.
- (c) Vendor shall use commercially reasonable efforts to cause its auditors to cooperate with Purchaser in connection with Purchaser's compliance with Applicable Securities Laws as required to complete the Transaction, including with respect to the delivery of consent

letters required by applicable Canadian securities regulatory authorities.

- (d) Vendor shall use its commercially reasonable efforts to assist Purchaser with the preparation by Purchaser of pro forma adjustments to the extent reasonably requested by Purchaser relating to the Operating Statements.
- (e) Subject to Closing occurring, and upon receiving reasonable advance written notice, Vendor agrees to use commercially reasonable efforts to assist Purchaser with the preparation by Purchaser of any additional financial statements (including but not limited to audited operating statements relating to the Assets for the year ended December 31, 2020) and such other information relating to for the Assets for any period that is required in order to permit Purchaser to comply with its "business acquisition report" filing requirements under Applicable Securities Laws.
- (f) Vendor hereby expressly consents to the use and public disclosure, including by incorporation by reference, in each case, in whole or in part, by Purchaser in Purchaser Disclosure Documents of:
  - (i) the Operating Statements (subject to any requirement to obtain auditor consent for such use and inclusion);
  - (ii) the Reserves Information; and
  - (iii) any information provided pursuant to this Clause 6.07;
 in any Purchaser Disclosure Document.
- (g) Nothing in this Clause 6.07 shall require Vendor or any of its Affiliates to pay any commitment or other fees or reimburse any expenses or otherwise incur any liabilities or give any indemnities in relation to any continuous disclosure document except as otherwise set out in this Agreement.
- (h) Purchaser shall promptly reimburse Vendor and any of its Affiliates for all reasonable Third Party costs or expenses incurred by Vendor, its Affiliates, and their respective representatives with any cooperation provided for in this Clause 6.07.

6.08 **Purchaser's Interim Period Obligations**. Until the Closing Date:

- (a) If required pursuant to the policies of the TSX:
  - (i) Purchaser agrees to convene and conduct a meeting of its shareholders, or obtain written consent of its shareholders, in either case in accordance with

Purchaser's articles and by-laws, and applicable laws as soon as reasonably practicable and shall use commercially reasonable efforts to hold the shareholder meeting (or obtain such written consent) on or prior to December 21, 2020, and not adjourn, postpone or cancel the meeting without the prior consent of the Vendor, except as required by Applicable Securities Law; and

- (ii) Purchaser shall use its commercially reasonable efforts to solicit proxies in favour of the approval of the resolution to approve the issuance of the Equity Compensation.
- (b) Purchaser will not, without the prior written consent of Vendor, which consent will not be unreasonably withheld, conditioned or delayed,) issue or authorize issuance of any debt securities in excess of Five Million Dollars (\$5,000,000) plus any refinancing or replacement of currently outstanding debt;
- (c) Purchaser will not, without the prior written consent of Vendor, which consent will not be unreasonably withheld, conditioned or delayed) issue or authorize the issuance of any securities, including Common Shares or securities convertible for Common Shares other than securities being issued to employees, officer, directors or consultants of Purchaser pursuant to any security-based compensation plan approved by the Board or Common Shares issuable upon the exercise of the warrants to purchase Common Shares that are currently outstanding;
- (d) Purchaser will not, without the prior written consent of Vendor:
- (i) change, amend or modify the articles of incorporation or by-laws of Purchaser;
  - (ii) split, combine or reclassify any of its securities;
  - (iii) undertake any capital reorganization;
  - (iv) declare, set aside or pay any dividend, reduction of capital, or other distribution in stock or property or any combination thereof;
  - (v) redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any of its securities other than pursuant to Purchaser's normal course issuer bid; or
  - (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation,

reorganization or winding-up or reorganize, amalgamate or merge with any Third Party;

- (e) Purchaser shall use all reasonable commercial efforts to continue to be in material compliance with all Applicable Securities Laws; and
- (f) Purchaser shall make all necessary filings and applications under applicable laws, including Applicable Securities Laws, required to be made on the part of Purchaser in connection with the Transaction, including the issuance of the Equity Consideration, and shall take all reasonable action necessary to be in compliance with such applicable laws and Applicable Securities Laws;

6.09 Pre-Closing Reorganization. Prior to Closing, Vendor shall and shall cause Cenovus Energy Inc. to complete the Pre-Closing Reorganization such that at Closing Vendor will own Cenovus Energy Inc.'s entire right, title and interest (whether direct or indirect and whether absolute or contingent, legal or beneficial or mixed) in and to the Petroleum Interests, the Tangibles and the Miscellaneous Interests, which will form part of the Assets to be conveyed to Purchaser at Closing, but excluding for certainty, any of the foregoing to the extent pertaining to Excluded Assets.

## Article 7

*[provisions relating to Vendor's arrangement with certain independent contractors redacted]*

## Article 8 PRIVACY

### 8.01 Privacy Obligations

- (a) Vendor and Purchaser acknowledge and confirm that the disclosure of Personal Information is necessary for the purpose of determining if the Parties shall proceed with this Agreement, and that the disclosure of Personal Information relates solely to the carrying on of the business relating to the Assets and this Agreement.
- (b) In addition to any other obligations of Purchaser with respect to proprietary and/or confidential information, Purchaser warrants and agrees that it shall comply, and shall ensure its Representatives comply, with all applicable privacy Regulations, or any similar Regulations governing the collection, use, disclosure, retention, destruction and/or storage of any Personal Information and without limiting the generality of the foregoing, Purchaser shall use appropriate security measures to safeguard all Personal Information conveyed, transferred or disclosed to it, and to protect

it against accidental or unauthorized access, use, destruction or disclosure.

- (c) Without limiting the generality of the foregoing, Purchaser covenants and agrees to:
  - (i) prior to Closing, collect, use and disclose the Personal Information solely for the purpose of reviewing and completing the Transaction, including determining whether or not Closing should occur;
  - (ii) after the completion of the Transactions contemplated herein, collect, use and disclose the Personal Information only for those purposes for which the Personal Information was initially collected from, or in respect of, the individual to which such Personal Information relates, or for the completion of the Transaction, unless (1) Purchaser has first notified such individual of an additional purpose, and where required by law, obtained the consent of such individual to such additional purpose, or (2) such use or disclosure is permitted or authorized by law, without notice to, or consent from, such individual;
  - (iii) where required by law, promptly notify the individuals to whom the Personal Information relates that Closing has occurred and that the Personal Information has been disclosed to Purchaser;
  - (iv) immediately and securely return or destroy the Personal Information, at the option of Vendor, should Closing not occur; and
  - (v) notwithstanding any other provision herein, where the disclosure or transfer of Personal Information to Purchaser requires the consent of, or the provision of notice to, the individual to which such Personal Information relates, to not require or accept the disclosure or transfer of such Personal Information until Vendor has first notified such individual of such disclosure or transfer and the purpose for same, and where required by law, obtained the individual's consent to same and to only collect, use and disclose such information to the extent necessary to complete the Transaction and as authorized or permitted by law.
- (d) Upon request, Vendor shall use reasonable efforts to advise Purchaser of the material purposes for which the Personal Information was initially collected from or in respect of the individual to which such Personal Information relates and of any other material purposes for which the Personal Information was

used or disclosed, where Vendor has notified the individual of such additional purpose, and where required by law, obtained the consent of such individual to such use or disclosure.

- (e) The obligations set forth in this Article 8 shall survive the Closing Date indefinitely.

## **Article 9 CONDITIONS OF CLOSING**

9.01 **Vendor's Conditions.** The obligation of Vendor under this Agreement to consummate the Transaction is subject to the following conditions, which are for the exclusive benefit of Vendor and may, excepting Vendor's conditions in Clause 9.01(c) and 9.01(d), be waived in whole or in part by Vendor by written notice to Purchaser before Closing:

- (a) **Accuracy of Representations and Warranties.** All representations and warranties of Purchaser contained in Clause 4.03 shall be true and correct in all respects (without regard to any materiality qualifier) as of the date hereof and on the Closing Date except to the extent given in respect of a particular date, in which case such representation and warranty need only be true as of such date, and except to the extent any untruth or inaccuracy in the aggregate does not create a Material Adverse Effect, and Purchaser shall have delivered to Vendor and Warranting Party the Purchaser's Officer's Certificate at Closing;
- (b) **Performance of Agreements.** Purchaser shall have performed or complied with all of its obligations, covenants and agreements contained in this Agreement to be performed or complied with at or prior to Closing in all material respects, (which shall include the tabling at Closing of the matters contemplated in Section 3.03(b)), and Purchaser shall have delivered to Vendor and Warranting Party the Purchaser's Officer's Certificate at Closing;
- (c) **Required Approvals.** The Required Approvals shall have been received;
- (d) **Prohibitions.** No Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Transaction which has not been vacated or dismissed prior to the Closing Time;
- (e) **No Material Adverse Effect.** Since the date of this Agreement, there shall not have been any changes, effects, events or occurrences that constitute or would reasonably be expected to constitute a Material Adverse Effect in respect of Purchaser;

- (f) *[condition to closing of the Transaction related to unknown contingent liabilities of the Purchaser and its representatives redacted]*
- (g) Satisfaction of Purchase Price. Purchaser shall have tendered the Closing Payment and shall have issued the Equity Consideration as contemplated in Clause 2.04.

9.02 **Purchaser's Conditions.** The obligation of Purchaser under this Agreement to consummate the Transaction is subject to the following conditions, which are for the exclusive benefit of Purchaser and may, excepting Purchaser's conditions in Clause 9.02(c) and 9.02(e), be waived in whole or in part by Purchaser by written notice to Vendor before Closing:

- (a) Accuracy of Representations and Warranties. all representations and warranties of Vendor and Warranting Party contained in Clause 4.01 shall be true and correct in all respects (without regard to any materiality qualifier) as of the date hereof and on the Closing Date except to the extent given in respect of a particular date, in which case such representation and warranty need only be true as of such date, and except to the extent any untruth or inaccuracy in the aggregate does not create a Material Adverse Effect, and Vendor shall have delivered the Vendor's Officer's Certificate, and Warranting Party shall have delivered the Warranting Party's Officer's Certificate, to Purchaser at Closing;
- (b) Performance of Agreements. Vendor shall have performed or complied with all of its obligations, covenants and agreements contained in this Agreement to be performed or complied with at or prior to Closing in all material respects, (which shall include the tabling at Closing of the matters contemplated in Section 3.03(a)) and Vendor shall have delivered to Purchaser the Vendor's Officer's Certificate at Closing;
- (c) Required Approvals. The Required Approvals shall have been received;
- (d) No Material Adverse Effect. Since the date of this Agreement, there shall not have been any changes, effects, events or occurrences that constitute or would reasonably be expected to constitute a Material Adverse Effect in respect of the Assets;
- (e) Prohibitions. No Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Transaction which has not been vacated or dismissed prior to the Closing Time;

- (f) Shareholder Approval. Purchaser shall have obtained requisite approval from Purchaser's shareholders for the issuance of the Equity Consideration, if required by the policies of the TSX.

9.03 **Efforts to Fulfill Conditions**. At all times prior to Closing, Purchaser and Vendor shall proceed diligently, honestly and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction of and compliance with the conditions set forth in Clauses 9.01 and 9.02.

9.04 **Failure of a Condition**. If a condition in Clauses 9.01 or 9.02 has not been satisfied on or before the Closing Date and such condition has not been waived in writing by the Party for whose benefit such condition has been included herein, such Party may terminate this Agreement by written notice to the other Party (excluding the Warranting Party) prior to the Closing Date, provided that a Party shall not be permitted to exercise or purport to exercise any right of termination pursuant to this Clause 9.04 if the event or circumstances giving rise to such right is due to a default by such Party.

9.05 **Effect of Termination**. If this Agreement is terminated prior to the Closing occurring pursuant to Clause 9.04, the Parties shall be fully released from all obligations and liabilities under this Agreement except as follows:

- (a) Clauses 2.03(b) and 6.01(b) shall remain in effect and be binding and enforceable in accordance with its terms; and
- (b) the Confidentiality Agreement shall remain in full force and effect in accordance with its terms.

Subject to the foregoing provisions of this Clause 9.05, following such termination, each Party shall be responsible for the costs and expenses incurred by it in connection with this Agreement and the Transaction.

## **Article 10 REQUIRED APPROVALS**

10.01 **Competition Act Notification**. Notwithstanding anything else to the contrary in this Agreement, in connection with obtaining the Competition Act Approval:

- (a) Vendor and Purchaser shall promptly furnish to the other such information and assistance as the other may reasonably request in order to prepare any notification, application, filing or request to, or response to a request from, the Commissioner or a Governmental Authority (excluding competitively sensitive information, which will be provided only to the external legal counsel or external expert of the other).
- (b) Within five (5) Business Days of the date of this Agreement, Purchaser shall make a submission to the Commissioner requesting

the issuance of an advance ruling certificate under section 102 of the Competition Act, or in the alternative, a notification from the Commissioner that he does not at that time intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by the Agreement, and a waiver under section 113(c) of the Competition Act. Purchaser shall provide Vendor with a reasonable opportunity to review and comment on the submission prior to Purchaser making the submission to the Commissioner.

- (c) If Competition Act Approval has not been obtained thirty (30 days following the filing of Purchaser's submission in accordance with Clause 10.01(b), either Vendor or Purchaser may require the other Party to submit a prescribed filing pursuant to section 114(1) of the Competition Act, which shall be filed by Vendor and Purchaser within five (5) Business Days following such request.
- (d) Vendor and Purchaser shall use commercially reasonable efforts to furnish the Commissioner with any information requested by the Commissioner as promptly as possible. Where the Commissioner issues a voluntary information request in respect of the Transaction, Vendor and Purchaser shall use commercially reasonable efforts to provide complete responses thereto as soon as reasonably possible.
- (e) All requests and enquiries from or on behalf of the Commissioner or Governmental Authority shall be dealt with by Vendor and Purchaser in consultation with each other. Vendor and Purchaser shall:
  - (i) promptly notify the other of any written communications of any nature from or on behalf of the Commissioner or Governmental Authority relating to the Transaction and provide the other with copies thereof (excluding competitively sensitive information, which will be provided only to the external legal counsel or external expert of the other);
  - (ii) permit the other an advance opportunity to review and comment upon any proposed written communications of any nature with the Commissioner or Governmental Authority relating to the Transaction and provide the other with final copies thereof (excluding competitively sensitive information, which will be provided only to the external legal counsel or external expert of the other); and
  - (iii) neither Vendor or Purchaser shall participate in any substantive meeting, communication or discussion (whether in person, by e-mail, by telephone or otherwise) with or

before the Commissioner or the Governmental Authority in respect of any filing, review, investigation, request for information or inquiry concerning the Transaction unless it consults with the other in advance and gives the other the opportunity to attend and participate thereat.

- (f) Each Vendor and Purchaser agrees to take all reasonable commercial actions that are necessary or advisable or as may be required by any Governmental Authority to obtain the Competition Act Approval as soon as practicable, but which for greater certainty do not require Purchaser to agree to: (i) selling, licensing or otherwise disposing of, or holding separate and agreeing to sell, license or otherwise dispose of, any of the Assets or any entity, facility or asset of Purchaser or its Affiliates; (ii) terminating, amending or assigning existing relationships and contractual rights and obligations; (iii) amending, assigning or terminating existing licenses or other agreements and entering into such new licenses or other agreements; or (iv) accepting any other condition(s) or restriction(s) that may be requested or imposed by any Governmental Authority in order to obtain the Competition Act Approval.
- (g) The Parties will share equally all filing fees payable to Governmental Authorities in respect of the applications and filings made in connection with obtaining the Competition Act Approval. Each Party will pay all other costs incurred by it in connection with obtaining the Competition Act Approval.

#### 10.02 **Approval of Listing and Issuance of Common Shares**

- (a) Purchaser will cause to be taken all necessary corporate action to allot and reserve for issuance the Common Shares to be issued pursuant to this Agreement including the Common Shares issuable pursuant to the Warrants. Purchaser will use its commercially reasonable efforts to obtain the conditional listing of the Common Shares issuable hereunder on the TSX by the Closing Time, subject to the satisfaction by Purchaser of the customary conditions as specified by the TSX, and Purchaser will use its commercially reasonable efforts to promptly satisfy all such conditions to the listing of such Common Shares on the TSX. Purchaser and Vendor acknowledge and agree that the Common Shares and Warrants will be issued without the requirement for a prospectus under Applicable Securities Laws. The Equity Consideration (and for greater certainty, the Common Shares issuable on exercise of the Warrants) will, be subject to a "restricted period" (as such term is defined in NI 45-102), and such other restrictions as are applicable by virtue of Vendor being a "control person" (as such term is defined in the *Securities Act* (Alberta)) of Purchaser and the

Warrant Certificate and any certificates representing the Common Shares or the ownership statement issued under a direct registration system or other electronic book-entry system will bear a restrictive legend substantially in the following form (and with the necessary information inserted) in accordance with Applicable Securities Laws and the policies of the TSX indicating that the resale of such securities is restricted:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE **[INSERT DATE THAT IS FOUR MONTHS AND A DAY AFTER CLOSING DATE]**.

THE SECURITIES REPRESENTED HEREBY ARE LISTED ON THE TSX; HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF THE TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON THE TSX.

- (b) At the request of Vendor, Purchaser shall take all necessary action to cause the restrictive legend above to be removed from the Common Shares and Warrants when and as permitted by Applicable Securities Laws and the policies of the TSX.
- (c) Purchaser shall obtain all necessary approvals of its shareholders if required pursuant to the policies of the TSX.
- (d) If requested by the TSX, Vendor shall provide to the TSX through its online portal, personal information forms, or declarations in lieu thereof, as applicable, for the mind and management of Vendor, within 3 Business Days from the date of request by the TSX.

## **Article 11 DISPUTE RESOLUTION**

11.01 **Arbitration Proceedings.** Except as otherwise provided for hereunder, all disputes arising out of or in connection with this Agreement or in respect of any legal relationship associated with or derived from this Agreement, shall be exclusively and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. (the "**ADRIC Rules**"), except as such rules are modified in accordance with the following provisions or as modified in a subsequent written agreement between the Parties:

- (a) The Parties shall agree on the appointment of a single arbitrator who shall be qualified by experience and education to determine the matter in dispute. If the Parties have not agreed on a single arbitrator, then such arbitrator shall be appointed by a Judge of the Court of Queen's Bench of Alberta, upon application by any Party;

- (b) the decision of the arbitrator shall be made in writing within one hundred and twenty (120) days of the appointment of the arbitrator and shall be binding upon Vendor and Purchaser for all purposes of this Agreement and not subject to any appeal rights, which the Parties hereby expressly waive;
- (c) the costs of the arbitrator shall be shared equally by Vendor and Purchaser;
- (d) the seat of the arbitration shall be in Calgary, Alberta;
- (e) all matters relating to any dispute, including all submissions made to the arbitrator and the award of the arbitrator, shall be treated as private and confidential by the Parties and the Parties shall, and shall cause any witnesses, counsel or professional advisers retained in connection with such an arbitration to, maintain all such matters in strict confidence, provided that the award of the arbitrator may be filed in public court proceedings for the purposes of seeking enforcement of the award;
- (f) the language of the arbitration shall be English; and
- (g) the matter in dispute shall be determined pursuant to the laws of the Province of Alberta.

11.02 **Injunctive Relief**. Notwithstanding Clause 11.01, in respect of a Party seeking injunctive relief, order for specific performance or other similar equitable relief, or in respect of the enforcement of a judgment, directive or order of the arbitral tribunal, a Party may, instead of availing itself of the ADRIC Rules dealing with urgent interim relief, make application to the Court and any courts of appeal therefrom, following two (2) Business Days' notice (including a reasonably detailed description) to the other Parties.

## **Article 12 PROJECTIONS**

12.01 **Projections**. If any information and materials delivered or made available by a Party to the other Parties pursuant to this Agreement or in connection with the sales process concerning a Party's assets preceding the execution of this Agreement includes any evaluations, projections, reports or interpretive or non-factual materials prepared by or for or received by a Party, the other Parties hereby releases and discharges the first Party from any Claim and Liability to the first Party and first Party's assigns and successors as a result of use or reliance upon them. Each Party agrees that it will rely solely on its own appraisal and estimates as to the quantum or value of the Assets in the case of Purchaser and Vendor in the case of the business of Purchaser and will rely solely on its own due diligence, geological and engineering interpretation and analysis related thereto.

**Article 13**  
**INDEMNITY**

13.01 **Indemnity by Vendor and Warranting Party.** Subject to Clauses 4.02, 5.01, 6.05, 13.03 and 13.06, and provided that Closing has occurred, Vendor and Warranting Party shall, jointly and severally:

- (a) be liable to Purchaser for all Claims, Losses and Liabilities; and
- (b) indemnify and save Purchaser and its Representatives harmless from and against all Claims, Losses and Liabilities,

as a direct result of any matter or thing arising out of, resulting from, attributable to or connected with:

- (c) a breach of the representations and warranties of Vendor and Warranting Party contained in Clause 4.01; and
- (d) a failure of Vendor to perform or observe in any material respect of any of the covenants or agreements to be performed by it under this Agreement or any agreement or other certificate or instrument delivered in connection herewith,

except any Losses and Liabilities to the extent that the same either are reimbursed (or reimbursable) by insurance maintained by Purchaser or are directly caused by the gross negligence or wilful misconduct of Purchaser or its Representatives subsequent to the date hereof.

13.02 **Indemnity by Purchaser.** Subject to Clauses 5.01 and 13.06, and provided that Closing has occurred, Purchaser shall:

- (a) be liable to Vendor for all Claims, Losses and Liabilities; and
- (b) indemnify and save Vendor and its Representatives harmless from and against all Claims, Losses and Liabilities,

as a result of any matter or thing arising out of, resulting from, attributable to or in any way connected with:

- (c) a breach of the representations and warranties of Purchaser contained in Clause 4.03;
- (d) a failure of Purchaser to perform or observe in any material respect of any of the covenants or agreements to be performed by it under this Agreement or any agreement or other certificate or instrument delivered in connection herewith; and
- (e) the Assets including, but not limited to, post-Closing transfer registrations, and occurring subsequent to the Effective Time,

except to the extent that any Losses and Liabilities are reimbursed (or reimbursable) by insurance maintained by Vendor or are caused by the gross negligence or wilful misconduct of Vendor or its Representatives subsequent to the date hereof.

13.03        **Environmental Indemnity.** Notwithstanding anything contained herein, provided that Closing has occurred, Purchaser further agrees that it shall:

- (a)    be solely liable to Vendor for any and all Claims, Losses and Liabilities; and
- (b)    indemnify and save Vendor and its Representatives harmless from and against any and all Claims, Losses and Liabilities,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities whether occurring or accruing before, on or after the Effective Time, except to the extent that any such Losses and Liabilities are matters or things for which Purchaser is entitled to indemnification under Clause 13.01 for a breach of representation and warranty pursuant to Clause 4.01(u). Subject to the foregoing, once Closing has occurred, Purchaser shall assume and be solely responsible for all Environmental Liabilities, including all Abandonment and Reclamation Obligations, as between Vendor and Purchaser. In addition, Purchaser hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all Environmental Liabilities, including Abandonment and Reclamation Obligations, under the Regulations, at equity or common law or otherwise, including the right to name Vendor as a Third Party under any action or enforcement proceeding commenced against Purchaser. In addition Vendor will also retain those other rights and remedies available to it under the Regulations, under equity or the common law or otherwise with respect to any Claim it may have against Purchaser under this Clause 13.03. This assumption of liability and indemnity shall apply without limit as to quantum or time and without regard to the negligence of Vendor or any of its Representatives or any predecessors in interest. The Parties acknowledge that the Purchase Price has taken into account all of the Environmental Liabilities identified by Purchaser prior to the date of this Agreement and in respect of which Purchaser provided notice to Vendor prior to the date of this Agreement and, accordingly, this assumption of liability and indemnity shall apply in respect of all of the Environmental Liabilities.

13.04        **No Merger.** The indemnities set forth in Clauses 13.01, 13.02 and 13.03 will be deemed to apply to, and will not merge in, any assignment, transfer, conveyance, novation or other document conveying the Assets to Purchaser. Each Party will have full right of substitution and subrogation as to all covenants and warranties by others previously given or made in respect of the Assets or any part thereof.

13.05        **Carriage of Litigation.**

If a Claim is made under this Article 13 involving a Claim by a Third Party, the Party with greatest exposure under this Agreement in respect of the Claim will have carriage of the Third Party litigation. It will consult with the other Parties, each of which will be entitled to retain its own counsel and participate in the litigation at its own expense.

13.06 **Limit on Party's Responsibility.** Notwithstanding any other provision of this Agreement:

- (a) no Claim shall be made against Vendor or Warranting Party for liability or indemnification hereunder unless any individual matter or item forming the subject matter of the Claim exceeds [*minimum claim amount redacted*] (the "**Minimum Claim Amount**") and then unless and until the aggregate amount of all such Minimum Claim Amounts suffered, sustained, paid or incurred by Purchaser in aggregate exceeds [*aggregate claims threshold redacted*] (the "**Claims Threshold**"). If the aggregate amount of the Losses and Liabilities suffered, sustained, paid or incurred by Purchaser hereunder in aggregate exceeds the Claims Threshold, only the amount of such Losses and Liabilities in excess of the Claims Threshold shall be recoverable by Purchaser;
- (b) no Claim shall be made against Purchaser for liability or indemnification under Clause 13.02(c) unless any individual matter or item forming the subject matter of the Claim exceeds the Minimum Claim Amount and then unless and until the aggregate amount of all such Minimum Claim Amount suffered, sustained, paid or incurred by Vendor in aggregate exceeds the Claims Threshold. If the aggregate amount of the Losses and Liabilities suffered, sustained, paid or incurred by Vendor hereunder in aggregate exceeds the Claims Threshold, only the amount of such Losses and Liabilities in excess of the Claims Threshold shall be recoverable by Purchaser;
- (c) Notwithstanding anything hereunder to the contrary the maximum aggregate cumulative liability of Vendor and Warranting Party together for Losses and Liabilities under this Agreement or otherwise in respect of all matters pertaining to the Transaction for Losses and Liabilities for which Vendor and Warranting Party are liable is limited to [*maximum liability amount redacted*], other than Claims for Fraud. For the avoidance of doubt, Vendor and the Warranting Party shall be treated as one Party for the purpose of applying the monetary limits or thresholds contained herein, and the adjustments to the Purchase Price and any payments in respect thereof;
- (d) Notwithstanding anything hereunder to the contrary, the maximum aggregate cumulative liability of Purchaser for Losses and Liabilities

or otherwise in respect of all matters pertaining for Losses and Liabilities for which Purchaser is liable pursuant to Clause 13.02(c) is limited to [*maximum liability amount redacted*], other than claims for Fraud;

- (e) No Party or its Representatives (in this Article 13, a "**Claiming Party**") shall have any Claim against the other Parties, and the other Parties shall not be liable for any Losses and Liabilities suffered sustained, paid or incurred by a Claiming Party after Closing that result from any inaccuracy in or breach of any representation or warranty in this Agreement in respect of any act, omission, circumstance or other matter known by the Claiming Party as of the Closing Date. For purpose of this Clause 13.06(d), Purchaser is deemed to have knowledge of all contents and information of the Vendor Data Room and Vendor is deemed to have knowledge of all contents and information of the Purchaser Data Room; and
- (f) Except in the case of Claims of Fraud, Vendor and Warranting Party shall have no liability in connection with any Losses or Liabilities of Purchaser or its Representatives for liability or indemnification under Clause 13.01(c) unless Purchaser shall, prior to the expiry of the applicable Survival Period, have provided Vendor or Warranting Party with written notice specifying such breach in reasonable detail and Purchaser hereby waives any right it may have at law or otherwise to commence such a Claim after the Survival Period.
- (g) Except in the case of Claims of Fraud, Purchaser shall have no liability in connection with any Losses or Liabilities of Vendor or its Representatives for liability or indemnification under Clause 13.02(c) unless Vendor or shall, prior to the expiry of the applicable Survival Period, have provided Purchaser with written notice specifying such breach in reasonable detail and Vendor hereby waives any right it may have at law or otherwise to commence such a Claim after the Survival Period.
- (h) Nothing in this Agreement shall be construed so as to require a Party to be liable for, or to indemnify the other Parties or their respective Representatives, or in connection with any Consequential Losses other than such Consequential Losses of a Third Party for which a Party may be liable.
- (i) No Party nor its Representatives shall be entitled to double recovery for any Losses or Liabilities even though the Losses and Liabilities may have resulted from the breach of more than one of the representations, warranties, indemnities and covenants made or given by the other Parties in this Agreement.

- (j) If the amount of Losses and Liabilities incurred by a Party or its Representatives at any time subsequent to the making of an indemnity payment hereunder is actually reduced by any recovery, settlement or otherwise under any insurance coverage or under any Claim, recovery, settlement or payment by or against any other Person, including under any manufacturer's or other Third Party warranty or insurance policy, the Party (or applicable Representative) shall promptly repay to the indemnifying Party the amount of the reduction (less any costs, expenses (including Taxes) or premiums incurred in connection therewith). For greater certainty, no repayment by the indemnified Party (or Representative) shall be required unless, and to the extent that, the sum of the indemnity payment and the amount received from the Third Party exceeds the total amount of Losses and Liabilities (which was required to be paid by the indemnifying Party subject to the terms of this Agreement) to which the indemnity payment relates.
- (k) Purchaser shall use commercially reasonable efforts to recover the full amount available to Purchaser under any such recovery, settlement or otherwise under any insurance coverage or under any Claim, recovery, settlement or payment by or against any other Person, including under any manufacturer's or other Third Party warranty.
- (l) Each Purchaser and Vendor shall take all commercially reasonable steps to mitigate any Losses and Liabilities upon and after becoming aware of any facts, matters, failures or circumstances that would reasonably be expected to result in any Losses and Liabilities that are indemnifiable hereunder. If a Purchaser or Vendor shall fail to take, or cause to be taken, such commercially reasonable steps, then notwithstanding anything in this Agreement to the contrary, the other Party or Parties, as applicable, shall not be required to indemnify for that portion of Losses and Liabilities that would reasonably have been expected to have been avoided if the indemnified Party had taken all such commercially reasonable steps.

13.07 **Limitation on Rights or Remedies.**

- (a) From and after Closing, except as set forth in Clauses 2.03, 2.10(c), 6.01(b), 6.05(b), 15.03 and except in the case of Claims for Fraud, this Article 13 sets forth the sole rights and remedies of Purchaser and Vendor and their respective Representatives in connection with: (i) the Transaction; and (ii) any act, omission, circumstance or other matter arising out of, resulting from, attributable to or connected with any default or breach of this Agreement made by the other Parties, and such first mentioned Party and its

Representatives shall have no further right or remedy (whether legal, equitable, fiduciary or in tort) whatsoever, against the other Parties, or their respective Representatives.

- (b) Except as provided in Clauses 6.05(a) and 13.02, Purchaser acknowledges that it shall not be entitled to any rights or remedies as against Vendor, Warranting Party or their respective Representatives under the Regulations at common law or in equity, pertaining to any Losses or Liabilities in respect of which it is required to indemnify Vendor pursuant to Clauses 2.10(c), 6.05(b), 15.03 or this Article 13 and that it shall not be entitled to name Vendor, Warranting Party or their respective Representatives under any provision of this Agreement as Third Party to any action commenced by any Third Party against Purchaser.

13.08 **Assumption**. At Closing, as of the Effective Time and subject to the terms and conditions herein, Purchaser will assume all obligations and liabilities arising, occurring or accruing in respect of the Assets following the Closing Time (other than in respect of Environmental Liabilities which are dealt with separately in Clause 13.03), including any such obligations under the Title and Operating Documents.

13.09 **Indemnity for Personal Information**. Notwithstanding any other provision of this Agreement, Purchaser covenants and agrees that Purchaser shall be liable to and indemnify, protect, save and keep harmless Vendor and its Representatives from all Claims, Losses and Liabilities in any way relating to or arising out of any breach by Purchaser or any other Person or entity to whom Purchaser discloses such information, of any obligation to hold confidential any Personal Information about an individual to which Purchaser may become privy as a result of this Agreement.

13.10 **Adjustments to Purchase Price**. All payments made by an indemnifying Party to another Party in respect of any claim pursuant to this Article 13 shall be treated as adjustments to the Purchase Price and allocated to Petroleum Interests, to the maximum extent permitted by applicable law.

## **Article 14 PROPRIETARY INFORMATION**

14.01 **Proprietary Information**. Purchaser shall consider as confidential, shall not communicate to others and shall use its best efforts to prevent those within its employ and control from communicating to others both prior to Closing, and, if the Transaction does not close for any reason whatsoever, subsequent to Closing, all information which Purchaser receives from Vendor pursuant to this Agreement, other than information which:

- (a) was in the possession of Purchaser prior to its receipt or acquisition from Vendor;

- (b) at the time of disclosure is in the public domain;
- (c) after disclosure, becomes part of the public domain by publication or otherwise through no act or omission on the part of Purchaser; or
- (d) after disclosure, is independently made available to Purchaser by a Third Party without obligations of secrecy to Vendor.

14.02 **Return of Proprietary Information**. If the Transaction does not close for any reason whatsoever, all confidential information received from Vendor hereunder and any copies thereof shall be returned forthwith to Vendor.

14.03 **Confidentiality Agreement**. The terms of this Article 14 apply in conjunction with the terms of the Confidentiality Agreement between the Parties.

14.04 **Permitted Disclosure**. Notwithstanding the foregoing in this Article 14, Vendor consents, in circumstances where it is necessary for Purchaser to comply with Applicable Securities Laws, to: (a) disclosure by Purchaser of information with respect to this Agreement and the Assets in any prospectus or other offering document of Purchaser or pursuant to continuous disclosure obligations of Purchaser in connection with the issuance of the Equity Consideration provided that Vendor shall have the right to review and approve, acting reasonably, the proposed disclosure; and (b) the public filing by Purchaser of this Agreement on SEDAR, provided that prior written notice of the intention to so file has been provided to Vendor together with an opportunity for Vendor to review and, acting reasonably, provide requests that commercially sensitive information be redacted. Purchaser will make reasonable efforts to comply with Vendor's requests for redaction.

## **Article 15 ADJUSTMENTS**

15.01 **Adjustments**. Except as otherwise provided in this Article 15 and subject to all other provisions of this Agreement and without duplication, the Parties will apportion expenditures and revenues of every kind and nature accruing or accrued, payable or paid, receivable or received, in respect of the operation of the Assets including operating, maintenance, development and capital costs, proceeds from the sale of Petroleum Substances produced from the Lands or any lands pooled or unitized therewith net of applicable transportation costs, royalties, including lessor royalties, property Taxes, gas cost allowance (or similar allowances), prepayments and deposits, duties, Taxes and assessments, as at the Effective Time such that:

- (a) Vendor shall be entitled to the revenues and benefits from the ownership and operation of the Assets incurred and or accrued prior to the Effective Time including, without limitation, the benefit of the Vendor Credits, audit queries for such time when resolved, and is responsible for and will pay for the expenditures pertaining to the

ownership, operation and development of the Assets incurred and or accrued prior to the Effective Time;

- (b) Subject to the other provisions of this Article, Purchaser shall be entitled to the revenues and benefits from the ownership and operation of the Assets incurred and or accrued from and after the Effective Time and is responsible for and will pay for the expenditures pertaining to the ownership, operation and development of the Assets incurred and or accrued from and after the Effective Time;
- (c) All rentals and similar payments, all payments owed for emissions compliance, all cash advances and all property taxes, freehold mineral taxes and other taxes (excluding taxes based on income, net revenue or capital) paid, payable or levied on or in respect to the Assets, the ownership thereof or Petroleum Substances produced therefrom or allocated thereto shall be apportioned between Vendor and Purchaser on a per diem basis as of the Effective Time;
- (d) All costs relating to any work performed or goods and services provided in respect of the Assets will be deemed to have accrued as of the date the work was performed or the goods or services were provided, regardless of the time at which those costs become payable;
- (e) All deposits, prepaid amounts and other security and financial assurances provided by Vendor to Governmental Authorities or other Third Parties in respect of the Assets, the operation thereof, Petroleum Substances produced therefrom or allocated thereto or services provided in connection therewith do not comprise part of the Assets and shall be for the sole benefit and the account of Vendor;
- (f) Vendor's share of all Petroleum Substances produced from the Lands or any lands pooled or unitized therewith beyond the wellhead at the Effective Time, including Petroleum Substances in the course of production or transportation or in tanks or storage (and includes linefill, inventory in tanks and tank bottoms) do not comprise part of the Assets, provided that sludge at the bottom of any storage tanks. Vendor shall make an adjustment on the Interim Statement of Adjustments, or the Final Statement of Adjustments, as the case may be, for Vendor's share of all such Petroleum Substances beyond the wellhead at the Effective Time. The Adjustment will be made using the average pricing of the most recent full month immediately preceding the month in which the Effective Time occurs for the sale of Petroleum Substances relating to the Petroleum Interests;

- (g) All payments that are to be reported pursuant to ESTMA or similar extractive sector transparency legislation, shall be reported on a cash payment basis. For greater clarity, whichever Party makes the initial reportable payment under ESTMA, bears the obligation for the reporting of such payment;
- (h) There will be no adjustments for royalty tax credits or similar incentives that accrue to a Party because of financial or organizational attributes specific to it, other than gas cost allowances (or similar cost allowances);
- (i) All statements prepared under this Article 15 will be prepared as contemplated herein with international financial reporting standards applying the accrual method, according to IFRS and shall be prepared by Vendor in accordance with Vendor's historical accounting practices and, to the extent applicable, on a basis consistent with the preparation of Vendor's lease operating statements;
- (j) The net production income or loss (gross revenue less operating costs, royalties, including lessor royalties and other direct costs) that accrues in respect of the Assets from the Effective Time to the Closing Time will be reported as income or loss for income Tax purposes by Vendor. The net production income or loss will be adjusted for income Taxes, calculated at the rate of twenty-four percent (24%), and the net amount will constitute an increase or decrease, as the case may be, to the Purchase Price;
- (k) To the extent herein Purchaser has agreed to be liable for any costs or expense associated with the consummation of the Transaction and the completion of the transfer and conveyance of the Assets, which costs are intended to be incurred prior to Closing, Vendor may elect to account for any such costs and expenses as an adjustment under this Article 15 in the Interim Statement of Adjustments, unless such costs and expenses have been satisfied or paid by Purchaser prior to the Closing Time. To the extent Vendor accounts for an adjustment in its favour for any such costs and expenses, then Vendor shall assume liability to pay such costs and expenses; and
- (l) The Parties acknowledge that there will be adjustments required to power bills for a minimum period of six (6) months following the month of consumption of such power. The Party responsible to pay for such adjustments will promptly and without dispute pay such amounts to the Party owed such amounts upon receipt of evidence of such amounts being outstanding.

15.02 The amount of all adjustments to the Purchase Price contemplated by this Article 15 shall be allocated to Petroleum Interests.

15.03 **Statement of Adjustments**

- (a) Vendor shall prepare and deliver to Purchaser a statement no later than five (5) Business Days prior to the Closing Time that shall set forth a written statement of adjustments to be made in accordance with this Agreement (the "**Interim Statement of Adjustments**") and Vendor will provide to Purchaser and its Representatives all information necessary for Purchaser to confirm the calculations in the statement. The Interim Statement of Adjustments shall use Vendor's good faith estimates where actual amounts are not known at the time of preparation, and once actual costs and revenues are known, those amounts will be taken into account in the Final Statement of Adjustments as per the process described under Clause 15.03(b) below.
- (b) Within one hundred and eighty (180) days following the Closing Time, Vendor shall prepare and deliver to Purchaser a final statement of all adjustments and payments to be made pursuant to this Agreement (the "**Final Statement of Adjustments**"). Purchaser shall provide, or cause to be provided, to Vendor full (but non-exclusive) access to, and Vendor at its own expense shall be entitled to audit, the relevant records to aid in the preparation of such statement. Vendor shall provide to Purchaser at its own expense the right to review the Final Statement of Adjustments and full access to the working papers of Vendor to aid in such review. The net amount will be remitted by the Party who in the net result is obliged to make payment within fifteen (15) Business Days of receipt by Purchaser of the Final Statement of Adjustments.
- (c) If Purchaser is of the opinion that any change is required to be made to the Final Statement of Adjustments as prepared by Vendor, it shall, on or before that date which is fourteen (14) Business Days after the delivery of the Final Statement of Adjustments by Vendor to Purchaser (the "**Objection Date**") pursuant to Clause 15.03(b), give written notice to Vendor of any such proposed change, including the reason for such change. If Purchaser does not notify Vendor of any proposed change on or before the Objection Date, then Purchaser shall be deemed to have accepted the Final Statement of Adjustments. In the event that Purchaser gives written notice to Vendor of any proposed change to the Final Statement of Adjustments, Purchaser or Vendor, as applicable, shall pay the undisputed net amount set forth on the Final Statement of Adjustments within the period of time prescribed in Clause 15.03(b).
- (d) If Purchaser gives written notice to Vendor of any proposed change to the Final Statement of Adjustments on or before the Objection Date, and if the proposed change is disputed by Vendor and the

Parties fail to resolve the dispute within ten (10) Business Days after the Objection Date, then the Accounting Firm shall immediately be engaged by the Parties to resolve forthwith the dispute and the Accounting Firm shall be requested to render its decision without qualifications, other than the usual qualifications relating to engagements of this nature, within fourteen (14) days after the dispute is referred to it. The decision of the Accounting Firm shall be final and binding upon Vendor and Purchaser and shall not be subject to appeal by any Party. The fees and expenses of the Accounting Firm shall be shared, one half to Vendor and one half to Purchaser.

- (e) Upon agreement with respect to all matters in dispute, or upon a decision of the Accounting Firm or the Arbitrator with respect thereto, such amendments shall be made to the Final Statement of Adjustments as may be necessary to reflect such agreement or such decision, as the case may be. The net amount will then be remitted promptly by the Party who in the net result is obliged to make payment. In such event, references in this Agreement to the Final Statement of Adjustments shall refer to the Final Statement of Adjustments, as so amended;
- (f) Notwithstanding the preceding Clause, Vendor and Purchaser will have the right, within the later of six (6) months following the distribution of the Final Statement of Adjustments by Vendor under Clause 15.03(b) or twelve (12) months following the Closing Time, to examine, copy and audit the records of each other relative to the Assets for the purpose of effecting or verifying adjustments required under this Article 15. The auditing Party will, upon reasonable notice, conduct that audit at its sole expense during normal business hours at the offices of the audited Party or at such other premises where those records are maintained. Any claims of discrepancies disclosed by that audit will be made in writing to the audited Party within two (2) months following the completion of that audit. That Party will respond in writing to any such claims within six (6) months of the receipt of notice of those claims. The Parties will resolve any outstanding claims of discrepancies under the arbitration provisions as set forth in Article 11 if they are unresolved within two (2) months of that response.
- (g) Notwithstanding Clause 15.03(b), further adjustments on the basis indicated in this Article 15 will be made as and when those items arise if notice requesting that adjustment, including reasonable particulars thereof, has been given by Vendor or Purchaser to the other within thirty (30) days following receipt of a Thirteenth Month Adjustment or a completed and agreed to audit or other report and the need for that adjustment arises from:

- (i) a Thirteenth Month Adjustment, operator error adjustments or errors established by joint venture audits within thirty-six (36) months after the Closing Time; or
  - (ii) errors established by an audit or other review of lessor royalty payments that is conducted under the Regulations or Leases within forty-eight (48) months after the Closing Time.
- (h) All payments made after the Closing Time are to be paid in immediately available funds by electronic wire as directed by the receiving Party and, subject to Clause 15.03(g)(ii) above, within thirty (30) days after the amount is determined and, if not paid within the thirty (30) days, will thereafter bear interest until paid at a rate of interest equal to the Prime Rate plus one (1%) percent compounded annually.

## **Article 16**

### **MISCELLANEOUS**

16.01 **Partial Invalidity**. If any provision of this Agreement is held to be invalid, illegal or unenforceable, the invalidity, illegality or unenforceability will not affect any other provision of this Agreement and this Agreement will be construed as if the invalid, illegal or unenforceable provision had never been contained herein unless the deletion of the provision would result in such material change to cause the completion of the Transaction to be unreasonable.

16.02 **Counterparts**. This Agreement may be executed by facsimile, pdf and other electronic means and in counterpart, no one copy of which need be executed by both Vendor and Purchaser. A valid and binding contract shall arise if and when counterpart execution pages (including as may be delivered by facsimile, pdf and other electronic means) are executed and delivered by both Vendor and Purchaser.

16.03 **Notice**. All notices, consents and other instruments which are required or may be given pursuant to this Agreement must be given in writing and delivered personally, by facsimile or via e-mail as follows:

If to Vendor: Cenovus Marten Hills Partnership, by its managing Partner, Cenovus Energy Inc.

225 – 6th Avenue, SW  
Calgary, AB T2P 0M5

Attention: Director, Operations Legal

Facsimile: [*fax number redacted*]

Email: [*email address redacted*]

If to Warranting Party: Cenovus Energy Inc.

225 – 6th Avenue, SW  
Calgary, AB T2P 0M5

Attention: Director, Operations Legal

Facsimile: [*fax number redacted*]

Email: [*email address redacted*]

If to Purchaser: Headwater Exploration Inc.

1700, 500 4th Ave. SW  
Calgary, AB T2P 2V6

Attention: Scott Rideout, Vice President, Land

Facsimile: N/A

Email: [*email address redacted*]

or in accordance with the latest unrevoked instructions delivered by one Party to the others. All notices will be deemed to have been duly given at the time of delivery or, in the case of facsimile, on the first Business Day after faxing.

16.04 **Further Assurances.** After the Closing Time, as and when reasonably requested by one of them, Vendor and Purchaser shall execute and deliver or cause to be executed and delivered all such documents and instruments and shall take or cause to be taken all such further or other actions to implement or give effect to the sale of the Assets, provided such documents, instruments or actions are consistent with the provisions of this Agreement.

16.05 **Amendments and Waivers.** No supplement, modification, waiver or termination of this Agreement will be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement will be deemed or will constitute a waiver of any other provision hereof (whether or not similar) nor will a waiver constitute a continuing waiver unless otherwise expressly provided.

16.06 **Expenses.** Except as expressly provided hereunder to the contrary, all expenses incurred by Vendor in connection with or related to the authorization, preparation and execution of this Agreement and all other matters related to the Closing of the Transaction, including all fees and expenses of counsel, accountants, financial advisors and auditors employed by Vendor, will be borne solely and entirely by Vendor; and all such expenses incurred by Purchaser will be borne solely and entirely by Purchaser. Notwithstanding the foregoing, Purchaser shall be responsible for the fees charged by PricewaterhouseCoopers in connection with the preparation of the Operating Statements.

16.07 **Assignment.** No Party may assign this Agreement or any part thereof prior to Closing without the prior written consent of the other Parties. Except as otherwise provided herein, this Agreement will be binding upon and enure to the benefit of the Parties and their successors and permitted assigns.

16.08 **Publicity.** Except as may be required by law or as otherwise permitted herein, no Party will make any press release or other public disclosure of this Agreement or the Transaction without the prior consent of the other Parties, not to be unreasonably withheld. The Parties will consult with each other on public disclosure with a view to joint disclosure where practicable.

16.09 **Entire Agreement.** With the exception of the Royalty Agreement, the Development Agreement, the Investor Agreement, the Warrant Certificate, the License Transfer Agreement, and the Marketing Agreement, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing and executed by the Parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings except the Confidentiality Agreement among the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

16.10 **Subrogation.** The assignment and conveyance to be effected by this Agreement is made with full right of substitution and subrogation of Purchaser in and to all covenants, representations, warranties and indemnities previously given or made by others in respect of the Assets or any part or portion thereof.

16.11 **Governing Law.** This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects,

be treated as a contract made in the Province of Alberta. Subject to the other provisions of this Agreement which provides for resolution of disputes through arbitration or expert determination, the Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

16.12 **Time is of Essence.** Time shall be of the essence in this Agreement.

16.13 **Remedies Cumulative.** No reference to or exercise of any specific right or remedy by a Party hereunder shall prejudice or preclude such Party from exercising or invoking any other remedy in respect thereof, whether allowed at law or in equity or expressly provided for herein. No such remedy shall be exclusive or dependent upon any other such remedy but each Party may exercise any one or more of such remedies independently or in combination, provided that no remedy shall duplicate the remedy achieved by another remedy.

16.14 **Limitations Act.** Subject to any limitation period specifically prescribed in this Agreement, the Parties expressly agree, as is permitted by the *Limitations Act* (Alberta), to extend the two (2) year time period provided for under Clause 3(1)(a) thereof, to a period of four (4) years.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF this Agreement has been duly executed by each Party as of the date first above written.

**CENOVUS MARTEN HILLS  
PARTNERSHIP**, by its managing  
partner, **CENOVUS ENERGY INC.**

**HEADWATER EXPLORATION INC.**

Per: (*"Signed"*)

Per: (*"Signed"*)

Title: [name and title redacted]

Title: [*name and title redacted*]

Per: (*"Signed"*)

Per: (*"Signed"*)

Title: [*name and title redacted*]

Title: [*name and title redacted*]

**CENOVUS ENERGY INC.**

Per: (*"Signed"*)

Title: [*name and title redacted*]

Per: (*"Signed"*)

Title: [*name and title redacted*]

**Schedule A**  
**Lands, Leases, Petroleum Interests and Wells**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER***

*[Lands, Leases, Petroleum Interests and Wells redacted]*

**Schedule A-1  
Whitemap**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER***

See attached.

**Schedule B  
Facilities**

**ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER**

Govt Code	License Number	Operator Name	Subtype
<i>[Facilities redacted]</i>			

**Schedule C  
Excluded Assets**

**ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER**

Tangible	AER License Number	Location
<i>[Excluded Assets redacted]</i>		

**Schedule D**  
**Section 18 Notices**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER***

None.

**Schedule E**  
**Service Agreements**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER***

*[Service Agreements redacted]*

**Schedule F  
AFEs**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER***

<b>AFE Number</b>	<b>Description</b>	<b>Estimate</b>
<i>[AFE's redacted]</i>		

**Schedule G  
Claims**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER***

None

**Schedule H  
Seismic Data**

**ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE  
AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS  
PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND  
HEADWATER EXPLORATION INC. AS PURCHASER**

<b>Cenovus ID</b>	<b>Line Name</b>	<b>Area Name</b>	<b>Length</b>	<b>Type</b>	<b>Vintage</b>
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*[Seismic Data redacted]*

**Schedule I**

**Surface Rights Expiries**

***ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT MADE AS OF THE 8<sup>th</sup> DAY OF NOVEMBER, 2020, BETWEEN CENOVUS MARTEN HILLS PARTNERSHIP AS VENDOR, CENOVUS ENERGY INC. AS WARRANTING PARTY AND HEADWATER EXPLORATION INC. AS PURCHASER***

*[Surface Rights Expiries redacted]*