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COURT                                   **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE                   **CALGARY**

APPLICANTS                         **IN THE MATTER OF THE *COMPANIES' CREDITORS***  
***ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE**  
**OR ARRANGEMENT OF STRATEGIC OIL & GAS LTD.**  
**AND STRATEGIC TRANSMISSION LTD.**

DOCUMENT                           **FIRST SUPPLEMENTAL REPORT OF THE MONITOR**  
**MAY 3, 2019**

ADDRESS FOR SERVICE AND  
CONTRACT INFORMATION OF  
PARTY FILING THIS DOCUMENT     **MONITOR**

                                              KPMG Inc.  
Suite 3100, Bow Valley Square II  
205 - 5th Ave SW  
Calgary, Alberta T2P 4B9  
Neil Honess/Cameron Browning  
Tel: (403) 691-8014/(403) 691-8413  
[neilhoness@kpmg.ca](mailto:neilhoness@kpmg.ca)  
[cbrowning@kpmg.ca](mailto:cbrowning@kpmg.ca)

**COUNSEL**

                                              Torys LLP  
525 - 8th Avenue SW  
46th Floor - Eighth Avenue Place East  
Calgary, Alberta T2P 1G1  
Kyle Kashuba  
Tel: (403) 776-3744  
[kkashuba@torys.com](mailto:kkashuba@torys.com)

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## ***1. INTRODUCTION AND PURPOSE OF REPORT***

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1. On April 10, 2019 Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. (together, “**Strategic**” or the “**Company**”) sought and obtained protection under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, *inter alia*, a stay of proceedings against Strategic until and including May 6, 2019 (the “**Initial Stay Period**”) and appointed KPMG Inc. as Monitor (the “**Monitor**”). The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
3. In addition to the stay of proceedings, the Initial Order granted various relief including, among other things, (i) the KERP Charge, (ii) the Administration Charge, (iii) the Directors’ Charge, and (iv) Interim Lender’s Charge (collectively, the “**Charges**”).
4. Further background on the CCAA Proceedings, including a summary of the activities of the Company and the Monitor since granting the Initial Order was previously provided in the Monitor’s first report dated April 29, 2019 (the “**First Report**”).
5. This is the Monitor’s first supplemental report (the “**First Supplemental Report**”) to the Court and should be read in conjunction with the First Report. The First Supplemental Report has been filed to advise this Honourable Court and provide the Monitor’s summary and comments with respect to:
  - a) The Company’s proposed sale and investment solicitation process (“**SISP**”) which includes a “stalking horse” process in respect of one parcel of assets;
  - b) The Company’s revised cash flow projection (the “**Revised Cash Flow Projection**”) for the week of April 29, 2019 to September 30, 2019 (the “**Revised Forecast Period**”);
  - c) Strategic’s revised application for an extension to the Initial Stay Period up to and including September 30, 2019 (the “**Revised Stay Extension**”); and
  - d) The Monitor’s recommendations.

6. Further background and information regarding the Company and these CCAA Proceedings can be found on the Monitor's website at <http://home.kpmg/ca/strategie> (the "**Monitor's Website**").
7. In preparing this First Supplemental Report and making the comments herein, the Monitor has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, Company records, Company prepared financial information and projections, discussions with management (the "**Management**") and employees, and information from other third party sources (collectively, the "**Information**").
8. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the *Chartered Professional Accountants Handbook*, and accordingly the Monitor expresses no opinion or other form of assurance in respect of the Information.
9. Some of the information referred to in this this First Supplemental Report consists of forecasts and projections, which were prepared based on Management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence no assurance can be provided regarding the forecasted or projected results. Indeed, the reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.
10. The information contained in this Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Company.
11. Capitalized terms not otherwise defined herein are as defined in the Company's application materials, including the First Affidavit of Remi Anthony (Tony) Berthelet sworn April 9, 2019 (the "**First Berthelet Affidavit**") and the Second Affidavit of Remi Anthony (Tony) Berthelet (the "**Second Berthelet Affidavit**") sworn April 29, 2019. The First Supplemental Report should be read in conjunction with the First Report, and the First and the Second Berthelet Affidavits, as certain information has not been included herein to avoid unnecessary duplication.
12. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

## ***2. SALE AND INVESTMENT SOLICITATION PROCESS***

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### ***Overview***

13. The Company and its counsel, with the assistance of the Monitor, has developed a detailed and comprehensive SISP to market the Company's assets in an open and transparent manner designed to maximize the realizations. A copy of the SISP is attached at **Appendix "A"**.
14. The Company's assets consist of the following parcels:
  - a) Marlowe Muskeg – a light oil Devonian aged reservoir located in northern Alberta with production of approximately 1,300 barrels of oil equivalent per day ("**boe/d**") (the "**Marlowe Assets**");
  - b) Cameron Hills, Bistcho, & Larne – assets located in Northern Alberta and North West Territories where current production is shut-in (the "**Cameron Hills Assets**");
  - c) Conrad & Taber – assets located in southern Alberta with two wells with limited current production (the "**Conrad Assets**");
  - d) Certain potential tax pools (the "**Tax Pools**"); and
  - e) Zama – a 10% non-operated working interest in the Zama area in Northern Alberta, with a related party owning the remaining 90% and 50% working interest in certain Shekilie assets in Northern Alberta, with the same related party owning the other 50% (together, the "**Zama Parcel**").
15. The Marlowe Assets, Cameron Hills Assets, Conrad Assets and the Tax Pools comprise the Company's core assets (collectively, the "**Core Assets**").
16. As part of the negotiation of the SISP, the Company intends, upon approval of this Honourable Court, to enter into a fully binding conditional purchase and sale agreement dated May 3, 2019 (the "**Stalking Horse Sale Agreement**") (attached as **Appendix "B"**) between the Company and GMT Exploration Zama Inc. (the "**Stalking Horse Bidder**") pursuant to which the Stalking Horse Bidder will make an offer to purchase the Zama Parcel.

### **SISP Details**

17. An overview of the SISP is provided below. Capitalized terms not defined herein are defined in the SISP.
  - a) The Company shall publish notice of the SISP in *The Globe & Mail*, and such other print and social media outlets as determined appropriate;
  - b) The Company has, with the assistance of the Monitor, produced a document outlining the opportunity (the “**Teaser**”) and shall make the Teaser available to any and all identified potential interested parties;
  - c) In order to participate in the SISP and ultimately be considered for qualification as a qualified bidder (“**Qualified Bidder**”), an interested party must deliver to the Company:
    - i. A duly executed Confidentiality Agreement (“**CA**”);
    - ii. A letter setting forth the identity of the party, contact information, and full disclosure of the direct and indirect owners of the party and their principals;
    - iii. Written acknowledgement of receipt of a copy of the Court order approving the SISP and agreeing to accept and be bound by the provisions contained therein;
  - d) Once an interested party has satisfied all of the requirements above, they will be deemed a potential bidder (“**Potential Bidder**”) and be provided access to Strategic’s virtual data room that contains due diligence materials and information relating to the Company and its property; and
  - e) The SISP will be conducted on an “as is, where is” basis.
  
18. Except in respect of an offer regarding the Zama Parcel, the following further provisions of the SISP apply:
  - a) The bid deadline for written offers to be received is July 26, 2019 (the “**Bid Deadline**”);
  - b) An offer submitted by a Potential Bidder will be considered a qualified bid (“**Qualified Bid**”) only if the offer complies with all of the requirements outlined in sections 5.1 or 5.2 of the SISP;

- c) Immediately following the Bid Deadline, all Qualified Bids will be reviewed and assessed as to their likelihood of successful completion;
- d) In the event that there are no Qualified Bid or none of the Qualified Bids received were likely to be successful, the SISP will be deemed to be immediately terminated and Strategic shall apply to the Court for advice and direction;
- e) Subsequent to the Bid Deadline, Strategic will provide all Qualified Bids not eliminated to the Alberta Energy Regulator (the “**AER**”) for AER’s review;
- f) Upon completion of the AER’s review, and any further negotiations or clarifications that may be conducted Strategic, with the consent of the Monitor, will identify the Successful Bid(s). Any Qualified Bidder who made a Successful Bid is a “**Successful Bidder**”;
- g) Upon notifying a Qualified Bidder that it is a Successful Bidder, Strategic and the Successful Bidder will promptly move to finalize the sale; and
- h) Strategic shall apply to the Court as soon as practicable for approval by this Honourable Court of a proposed sale.

### ***Stalking Horse Process***

19. The terms of the Stalking Horse Sale Agreement are summarized below:

- a) The Stalking Horse Bidder will pay \$1.5 million for the Zama Parcel (the “**Stalking Horse Bid**”) comprised of a deposit of \$1.2 million (the “**Stalking Horse Deposit**”), and the balance of \$300,000 due upon closing. The deposit shall bear interest at a rate of one percent (1%) per month from the date on which the Stalking Horse Deposit is paid to the Company until the Sale Agreement is closed or is terminated;
- b) The Stalking Horse Bidder will receive a first priority charge on the Zama Parcel and its proceeds if the Stalking Horse Bidder is not the final purchaser (the “**Stalking Horse Charge**”). The beneficiaries of the Administration Charge and the Directors’ Charge have agreed to the issuance and priority of the Stalking Horse Charge;
- c) A potential purchaser of the Zama Parcel (“**Competing Bidder**”) will be required to submit its offer no later than noon Calgary time, Friday, June 21, 2019;



- d) For a Competing Bidder to have a superior bid to the Stalking Horse Bid (a “**Superior Bid**”), the Superior Bid must exceed the Stalking Horse Bid by the minimum of the sum of:
  - i. \$75,000 fee payable to the Stalking Horse Bidder (the “**Break Fee**”); and
  - ii. The incremental increase amount of \$150,000.
- e) The Stalking Horse Bidder is in possession of a right of first refusal (“**ROFR**”) on the Zama Parcel and will have the opportunity, but not the obligation, to match the Superior Bid if it chooses to do so; and
- f) In the event that either: (a) there is no Superior Bid, (b) the ROFR is exercised, or (c) the Superior Bid cannot satisfy the conditions of the AER, then Strategic, the Monitor, and the Stalking Horse Bidder shall close the Stalking Horse Bid as soon as is practicable thereafter such and the Zama Parcel will vest in the Stalking Horse Bidder in accordance with the terms of the vesting order approved by this Honourable Court with no further court application necessary.

*The Monitor’s Observations on the SISP*

20. The Monitor is of the view that the proposed SISP, including the Stalking Horse Bid, is appropriate for the following reasons:
- a) The Company’s assets will be widely exposed to the market through the SISP for a reasonable period of time;
  - b) The timeline is sufficient to allow interested parties to perform due diligence and to submit offer;
  - c) The identification of potential bidders and initial contact with prospective candidates will be accompanied by an advertising campaign in the national media to increase exposure of the assets offered for sale, and an introduction to the sales process;
  - d) The majority shareholder of the Company is supportive of the proposed SISP process;

- e) The AER has remained apprised of developments related to the CCAA Proceedings and the SISP process and the Monitor understands that, while the AER continues to consider the details of the SISP, the AER has expressed no issues with the SISP to date;
- f) The Stalking Horse Bidder provides the Company with additional funds to extend the SISP marketing period which should maximum shareholder value;
- g) The valuation of the Stalking Horse Bid is appropriate as:
  - i. The Zama Parcel was previously marketed by the Company and attracted no bids;
  - ii. The Monitor is advised that the Stalking Horse Bid is fair and reasonable and represents fair market value for these assets based on recent comparable transactions in the area and the Company's current position;
  - iii. The Stalking Horse Bidder is currently carrying costs in excess of \$2 million in relation to the Zama Parcel;
  - iv. The Stalking Horse Bid sets a fair "base level"; and
  - v. The Zama Parcel has limited commercial opportunity without significant additional spend;
- h) The truncated marketing period for the Stalking Horse Bid assets is reasonable in consideration to the following:
  - i. Zama Parcel is a non-core asset and unlikely to be of significant interest to parties interested in the remaining Core Assets;
  - ii. The Stalking Horse Bidder holds the remainder of the working interest in the Zama Parcel;
  - iii. The Zama Parcel is not a complex asset and subsequently will require less time for interested parties to obtain the necessary due diligence; and
- i) It is the Monitor's opinion that the Break Fee is reasonable and within the conventional range usually expected in comparable agreements.

### 3. REVISED CASH FLOW PROJECTION

21. The Company, in consultation with the Monitor, has prepared a Revised Cash Flow Projection for the Revised Forecast Period. A copy of the Revised Cash Flow Projection is attached as **Appendix “C”**.
22. As summarized below, the cash balance will be sufficient to fully complete the SISP.

STRATEGIC OIL & GAS LTD. and STRATEGIC TRANSMISSION LTD.				
SUMMARY OF KEY SISP DATES IN THE REVISED CASH FLOW PROJECTION FOR THE WEEKS OF APRIL 29 TO SEPTEMBER 30, 2019				
Unaudited (\$'000's CAD)	Stalking Horse Bid Deadline 21-Jun	Bid Deadline 26-Jul	Ultimate Closing Date 6-Sep	Revised Stay Extension 30-Sep
<b>Cash Receipts</b>				
Production revenue, net of oil royalties and transportation	1,737	3,554	1,781	1,740
Sale to Stalking Horse Bidder	1,500	-	-	-
Other receipts	20	10	-	-
<b>Total Cash Receipts</b>	<b>3,257</b>	<b>3,564</b>	<b>1,781</b>	<b>1,740</b>
<b>Cash Disbursements</b>				
Royalties	16	18	16	9
Property taxes	220	118	263	110
Operating expenditures	2,414	1,310	1,568	1,181
Capital & regulatory expenditures	465	497	114	394
Payroll	295	295	197	197
Severance costs	7	-	-	-
General & administrative costs	320	138	157	110
Interest and taxes	467	-	450	-
Contingency	800	500	600	400
<b>Total Cash Disbursements</b>	<b>5,004</b>	<b>2,877</b>	<b>3,366</b>	<b>2,400</b>
<b>Cash Flow From Operations</b>	<b>(1,747)</b>	<b>687</b>	<b>(1,584)</b>	<b>(660)</b>
<b>Restructuring Fees</b>	<b>1,050</b>	<b>275</b>	<b>225</b>	<b>225</b>
<b>Net Change in Cash</b>	<b>(2,797)</b>	<b>412</b>	<b>(1,809)</b>	<b>(885)</b>
Opening cash	4,580	1,783	2,194	385
Stalking Horse Deposit	-	-	-	-
<b>Ending Cash</b>	<b>1,783</b>	<b>2,194</b>	<b>385</b>	<b>(500)</b>
<b>Stalking Horse Bid</b>				
Opening balance	-	-	-	-
Deposit	(1,200)	-	-	-
Closing balance	(300)	-	-	-
<b>Ending Stalking Horse Bid</b>	<b>(1,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Key Employee Retention Plan</b>				
Opening cash	1,256	1,004	753	753
Scheduled payment	251	251	-	753
<b>Total Restricted Cash</b>	<b>1,004</b>	<b>753</b>	<b>753</b>	<b>-</b>

23. The Revised Cash Flow Projection indicates the following through the Revised Forecast Period:
- a) At the Stalking Horse Bid Deadline for the Zama Parcels ending June 21, 2019, the Company forecasts an ending cash balance of approximately \$1.78 million;

- b) At the Bid Deadline for the Core Assets ending July 26, 2019, the Company forecasts an ending cash balance of approximately \$2.19 million; and
  - c) At the Ultimate Close Date of September 6, 2019, the Company forecasts an ending cash balance of approximately \$385,000.
24. At the end of the Revised Stay Extension, the Company is forecasting a negative ending cash balance of approximately \$500,000. However, the Monitor would note the following in this regard:
- a) The Revised Cash Flow Projection extends for a significant period of time and therefore the forecast is likely to vary as this period elapses;
  - b) The Revised Cash Flow Projection consists of conservative estimates including a significant contingency during the period which may not be required and which, if not spent, could favourably impact the cash balance at the end of the Revised Extension Period; and
  - c) In the event there is any material adverse change in the Revised Cash Flow Projection, the Monitor will immediately report the same to this Honourable Court.
25. A summary of the major assumptions made by Strategic in preparing the Revised Cash Flow Projection are as described in the First Report.
26. The significant assumptions used by Strategic's Management to prepare the Revised Cash Flow Projection are generally consistent with the cash flow statement provided in the initial application materials with the only adjustments being for timing of receipts and disbursements and updated forecast oil and gas pricing.
27. Based on our review, nothing has come to the Monitor's attention that causes us to believe that, in all material respects:
- a) The hypothetical assumptions are not consistent with the purpose of the Revised Cash Flow Projection;
  - b) As at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a

reasonable basis for the Revised Cash Flow Projection, given the hypothetical assumptions; or

- c) The Revised Cash Flow Projection does not reflect the probable and hypothetical assumptions.

#### ***4. THE COMPANY'S REVISED REQUEST FOR AN EXTENSION OF THE STAY PERIOD***

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28. The Initial Order provided for the Initial Stay Period to May 6, 2019. In its application dated April 29, 2019, the Company sought an extension to June 5, 2019. However, the Company now seeks to revise the extension stay period to September 30, 2019 to allow the SISP to be executed.
29. It is the Monitor's view that the Revised Stay Extension is necessary to allow Strategic to continue its restructuring efforts and complete the proposed SISP, subject to approval by this Honourable Court. Although the Company does show a cash shortfall by the end of the Revised Stay Extension, the Monitor is of the view that the Revised Stay Extension is appropriate in the circumstances of the Company's restructuring efforts, given the terms of the SISP and the current market conditions and the intention to conclude the SISP prior to the end of the Revised Stay Extension.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

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30. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order approving:

- a) An extension of the stay until and including September 30, 2019;
- b) The Stalking Horse Bid and the corresponding Stalking Horse Charge; and
- c) The Company's SISP.

This Report is respectfully submitted this 3<sup>rd</sup> day of May, 2019.

**KPMG Inc.**

**In its capacity as Monitor of  
Strategic Oil & Gas Ltd. and Strategic Transmission Ltd.  
and not in its personal or corporate capacity.**



Per: Neil Honess  
*Senior Vice President*

**APPENDIX "A"**

**SALE AND INVESTMENT SOLICITATION PROCESS**





## **Sale and Investment Solicitation Package**

Strategic Oil & Gas Ltd.  
Strategic Transmission Ltd.

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## **ARTICLE 1**

### **INTRODUCTION**

- 1.1 **Background.** On April 10, 2019, Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. ("**STL**", together with Strategic Oil & Gas Ltd., "**Strategic**"), obtained protection from the Alberta Court of Queen's Bench (the "**Court**") under the provisions of the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") pursuant to the provisions of an Initial Order (the "**Initial Order**").
- 1.2 **SISP.** On May 6, 2019, the Court approved Strategic advancing a sale and investor solicitation process in accordance with the terms and conditions set forth herein (the "**SISP**").
- 1.3 **SISP Process Generally.** This SISP describes, among other things, the process by which the SISP will be conducted, the criteria to become a Qualified Bidder, accessing due diligence information, the requirements to make a Qualified Bid, and the review, acceptance and approval process that then follows.

## **ARTICLE 2**

### **INTERPRETATION**

- 2.1 **Defined Terms.** Capitalized terms used herein shall have the meanings ascribed to such terms, including the following:
- "**AER**" means Alberta Energy Regulator;
- "**Bid Deadline**" means July 26, 2019;
- "**Business**" means the business being carried on by Strategic;
- "**Business Day**" means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are open for business in the City of Calgary;
- "**Confidentiality Agreement**" means a confidentiality agreement in form and substance satisfactory to Strategic, providing generally that all information is proprietary and confidential for the benefit of Strategic, subject to certain exceptions including the ability of the signatory to communicate with the Monitor and the Lender;
- "**Lender**" means, GMT Capital Corp., as agent for and on behalf of the holders of the outstanding 12% Senior Secured Notes due May 27, 2020 of Strategic Oil & Gas Ltd.;
- "**Monitor**" means KPMG Inc., in its capacity as monitor appointed pursuant to the Initial Order;
- "**Notice**" means a summary of the Teaser suitable for publication in print media and on-mediums;
- "**Offer**" means a credible, reasonably certain and financially viable offer for acquisition of all or any part of the Property or for an investment into the Business or alternative transaction (including, without limitation, a restructuring or recapitalization proposal in respect of the Strategic);

"**Property**" means the undertakings, property and assets of Strategic or any portion thereof;

"**Regulatory Requirements**" means the terms, conditions, and other requirements as may be stipulated by the AER from time to time;

"**ROFR**" means the right of first refusal that the Stalking Horse Bidder may exercise in respect of any Competing Bid in respect of the Zama Parcel;

"**Sale**" means the acquisition of all or any part of the Property;

"**Stalking Horse Bid**" means the offer to purchase the Zama Parcel by the Stalking Horse Bidder pursuant to the terms and conditions of a purchase and sale agreement between Strategic Oil & Gas Ltd., and the Stalking Horse Bidder dated as of May 3, 2019;

"**Stalking Horse Bidder**" means GMT Exploration Zama Inc., a corporation incorporated under the laws of the Province of British Columbia and extra-provincially registered to do business in the Province of Alberta, and who is related to the Lender;

"**Teaser**" means a notice describing this SISP, and containing such other relevant information which Strategic and the Monitor consider relevant, including a summary description of this purchase/investment opportunity and an invitation for interested parties to submit bids/proposal in accordance with the terms hereof;

"**Ultimate Closing Date**" means September 6, 2019; and

"**Zama Parcel**" means the "Assets", as described in the Stalking Horse Bid.

### **ARTICLE 3** **SISP PROCESS**

- 3.1 **Notice and Teaser.** As soon as reasonably practicable after Court approval of this SISP, and in any event within 3 Business Days following such approval, Strategic, with the assistance of the Monitor, shall cause the Notice to be published in the Globe & Mail. Strategic and the Monitor shall also be at liberty to publish the Notice in such other print and social media outlets as they deem appropriate. Strategic, with the assistance of the Monitor, shall also circulate the Teaser to such parties as they reasonably believe may be interested in participating in the SISP.
- 3.2 **Qualifying as a Potential Bidder.** In order to participate in the SISP and ultimately be considered for qualification as a Qualified Bidder pursuant to Article 5, below, an interested party must deliver to Strategic at the address specified in Schedule "A" hereto (by delivery or email), the following material:
- (a) a duly executed Confidentiality Agreement;
  - (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder, full disclosure of the direct and indirect owners of the Potential Bidder and their principals; and

- (c) a written acknowledgement of receipt of a copy of the Court order approving the SISP (including this SISP) and agreeing to accept and be bound by all of the provisions of this SISP.
- 3.3 **Potential Bidder.** Once an interested party has satisfied all of the requirements described in the previous subsection they will be deemed to be a "**Potential Bidder**", and will be promptly notified of such classification by the Monitor.

#### **ARTICLE 4** **DUE DILIGENCE**

- 4.1 **Access.** Forthwith upon being designated as a Potential Bidder, Strategic and the Monitor shall provide the Potential Bidder with access to an electronic data room maintained by Strategic in this regard. Both Strategic and the Monitor shall provide Potential Bidders with further access to such due diligence materials and information relating to the Business and the Property as is reasonably practicable.
- 4.2 **No Representation or Warranties.** Neither Strategic nor the Monitor makes any representation or warranty as to the information contained in the Teaser or the information to be provided through the due diligence process or otherwise, except to the extent otherwise contemplated under any definitive sale or investment agreement with a Successful Bidder executed and delivered by Strategic.
- 4.3 **No Additional Information.** Neither Strategic nor the Monitor shall be required to produce any abstract of title, title deeds or documents, or copies thereof or any evidence as to title, other than what is already in Strategic's possession.

#### **ARTICLE 5** **BIDDING**

- 5.1 **Requirement for a Qualified Bid.** Except in respect of an Offer regarding the Zama Parcel, which is governed by Article VIII hereof, an Offer submitted by a Potential Bidder will be considered a "**Qualified Bid**" only if the Offer complies with all of the following:
- (a) it includes a letter stating that the Offer is irrevocable until the earlier of (i) the closing of a transaction with a Successful Bidder (as defined below), and (ii) 20 Business Days following the Bid Deadline; provided, however, that if such Offer is selected as a Successful Bid (as defined below), it shall remain irrevocable until the closing of the Successful Bid or Successful Bids, as the case may be;
  - (b) it includes a duly authorized and executed:
    - (i) in the case of an Offer involving an acquisition of Property, a purchase and sale agreement specifying the purchase price, expressed in Canadian dollars (the "**Purchase Price**") in as close a form as practicable to the form of purchase and sale agreement attached hereto as marked as Schedule "B" (accompanied by a blackline demonstrating the changes to the form attached hereto);
    - (ii) in the case of an Offer involving an investment into the Business or alternative transaction (including, without limitation, a restructuring or recapitalization

proposal in respect of the Strategic), an agreement setting forth the terms and conditions of such investment or alternative transaction, and

- (iii) and in the case of either (i) or (ii) above, such ancillary agreements as may be required by the Potential Bidder together with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements) and the proposed forms of order(s) for Court approval thereof;
- (c) it includes evidence sufficient to allow Strategic and the Monitor to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the transaction contemplated by the Offer, which evidence could include but is not limited to evidence of a commitment for all required funding and/or financing from a creditworthy bank or financial institution and/or its direct and indirect owners' or principals (in which case information regarding such owners' and principals' financial and other capability shall be included);
- (d) it is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder and/or (ii) obtaining any financing of any kind and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Offer;
- (e) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Offer, including information regarding the Potential Bidder's direct and indirect owners and their principals, and the terms of any such participation;
- (f) it includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Offer; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by Strategic or the Monitor, or any of their respective advisors, except as expressly stated in the Offer; (iii) is a sophisticated party capable of making its own assessments in respect of making its Offer; and (iv) has had the benefit of independent legal advice in connection with its Offer;
- (g) the Offer is on an "as is, where is", "without recourse" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by either Strategic or the Monitor, or any of their respective agents, except to the extent specifically set forth therein;
- (h) it includes evidence, in form and substance reasonably satisfactory to Strategic and the Monitor, of authorization and approval from the Potential Bidder's board of directors (or comparable governing body) with respect to the Offer;
- (i) in the case of an Offer involving an acquisition of Property, it provides for a refundable deposit (the "**Deposit**"), to be made in the form of a wire transfer (to a trust account maintained by Strategic's counsel, Dentons Canada LLP ("**Dentons**")), in an amount

equal to 10% of the proposed gross purchase price, to be held and dealt with in accordance with this SISP;

- (j) it provides for closing of the Offer by no later than the Ultimate Closing Date;
  - (k) if the Potential Bidder is an entity newly formed for the purpose of the transaction, the Offer shall include an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to Strategic and the Monitor;
  - (l) it includes evidence, in form and substance reasonably satisfactory to Strategic and the Monitor, of compliance or anticipated compliance with any and all applicable Canadian and any foreign regulatory approvals (including, if applicable, anti-trust regulatory approval and any approvals with respect to the grant or transfer of any permits or licenses), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
  - (m) it contains responses to the Regulatory Requirements;
  - (n) it is otherwise compliant with, and not contrary to, the rules set forth in this SISP;
  - (o) it contains other information reasonably requested by Strategic or the Monitor; and
  - (p) it is received by no later than the Bid Deadline.
- 5.2 **Qualified Bids.** Any Offer submitted by a Potential Bidder that complies with each and every requirement of subsection 5.1 of this SISP shall hereinafter be referred to as a "**Qualified Bid**" (and all such bids, the "**Qualified Bids**") and each Potential Bidder who has submitted a Qualified Bid shall hereinafter be referred to as a "**Qualified Bidder**".
- 5.3 **Deemed Qualified Bids.** Notwithstanding subsection 5.1 and 5.2 hereof, either Strategic or the Lender, with the consent of Monitor, may waive compliance with any one or more of the Qualified Bid requirements specified herein, and deem such non-compliant bids to be Qualified Bids.
- 5.4 **Restructuring or Recapitalization Proposals.** Potential Bidders in respect of any restructuring or recapitalization proposal shall be encouraged to discuss indicative particulars thereof with Strategic and the Monitor early in the process to facilitate the likelihood of an Offer therefor becoming a Qualified Bid.

## ARTICLE 6

### **SELECTION OF THE SUCCESSFUL BID OR SUCCESSFUL BIDS**

- 6.1 **Review of Qualified Bids.** Immediately following the Bid Deadline, Strategic, the Lender, and the Monitor will assess all Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this SISP is in the best interests of Strategic. Such assessments will be made as promptly as practicable after the Bid Deadline.
- 6.2 **No Qualified Bids.** In the event that either: (a) no Qualified Bid was received, or (b) none of the Qualified Bids received were likely, in the view of Strategic or the Monitor, acting reasonably, to



be consummated, this SISIP shall be deemed to be immediately terminated and Strategic shall apply to the Court for advice and direction.

- 6.3 **AER.** Immediately following the Bid Deadline, Strategic will provide all Qualified Bids not eliminated under clause 6.2 (b) of this SISIP to the AER for AER's review. AER will provide Strategic and the Monitor with any deficiencies or concerns surrounding each Qualified Bids response to Regulatory Requirements within 2 weeks of AER's receipt of such Qualified Bid.
- 6.4 **Further Negotiations.** Immediately following the Bid Deadline Strategic, and the Lender with the assistance of the Monitor, may select Qualified Bids for further negotiation and/or clarification of any terms or conditions of such Qualified Bids, including the amounts offered, before identifying the highest or otherwise best Qualified Bid(s) (the "**Successful Bid(s)**") received, as the case may be.
- 6.5 **Determining Successful Bid(s).** Upon completion of the AER's review pursuant to subsection 6.3, above, and any further negotiations or clarifications that may be conducted pursuant to subsection 6.4 above, Strategic, and the Lender with the consent of the Monitor, will identify the Successful Bid(s). Any Qualified Bidder who made a Successful Bid is a "**Successful Bidder**". Strategic will notify any such Qualified Bidder that it is a Successful Bidder.

#### **ARTICLE 7** **APPROVAL HEARING**

- 7.1 **Finalization of Successful Bids.** Forthwith upon notifying a Qualified Bidder that it is a Successful Bidder, Strategic and the Successful Bidder will promptly finalize the definitive agreements in respect of any Successful Bidder, conditional upon approval of the Court (the "**Definitive Agreements**").
- 7.2 **Court Approval.** Strategic shall apply to the Court as soon as practicable after completion of the Definitive Agreements for: (i) an order approving the Successful Bid(s) and authorizing Strategic to enter into any and all necessary agreements with respect to the Successful Bid; and (ii) any order that may be required vesting title to Property in the name of a Successful Bidder (the "**Approval Hearing**").
- 7.3 **Closing.** Closing(s) shall occur as soon as practicable after the Successful Bid(s) are approved by the Court.
- 7.4 **Rejection of unsuccessful Bids.** All Qualified Bids (other than any Successful Bid(s)) shall be deemed rejected on and as of the date of closing of the Successful Bid or Successful Bids, as the case may be.

#### **ARTICLE 8** **STALKING HORSE PROCEDURE**

- 8.1 **Capitalized Terms.** All capitalized terms used in this Article 8 not otherwise defined in this SISIP shall have the meaning ascribed to such terms in the Stalking Horse Bid.
- 8.2 **Stalking Horse Bid.** The Stalking Horse Bid shall be utilized by Strategic and the Vendor as a "stalking horse bid" to elicit a superior offer for the Zama Parcel. The Stalking Horse Bid may be utilized by the Strategic and the Monitor in conjunction with their continuing efforts to sell the



Zama Parcel on terms and conditions that are (a) no less favourable, (b) no more burdensome or conditional, and (c) except for purchase consideration greater than the Purchase Price, substantially similar to the Stalking Horse Bid.

8.3 **Inclusion in this SISP.** The Stalking Horse Bid shall be included in this SISP insofar as Articles III and IV are concerned.

8.4 **Competing Bids.** A potential purchaser ("**Competing Bidder**") who wishes to acquire the Zama Parcel shall submit its offer – in the form of an executed purchase and sale agreement in substance substantially similar to the Stalking Horse Bid – to the Monitor no later than noon, Calgary time, on Friday, June 21, 2019, which offer shall provide:

- (a) a deposit payable by certified cheque, bank draft or wire transfer of not less than 25% of the competing bid's total consideration,
- (b) a closing time of not later than 5 Business Days following the Court granting a vesting order contemplated in subsection 8.10 hereof,
- (c) a period of time to remain available for acceptance (and be irrevocable) until the Monitor has determined the Superior Proposal (as defined below), and
- (d) a cash purchase price in excess of the Purchase Price (\$1,500,000) by an amount equal to at least the sum of the Break Fee and \$150,000;

whereupon it shall be considered a "**Competing Bid**" under Article 8 of this SISP.

8.5 **Blackline Copy.** The Competing Bid must be accompanied by a blacklined copy of the Competing Bid as against the Stalking Horse Bid, showing any and all variations between the Competing Bid and the Stalking Horse Bid.

8.6 **Financial Wherewithal.** The Competing Bid must be made by one or more bidders who can demonstrate, in the aggregate, the financial ability to consummate the transactions contemplated by the Competing Bid on the terms specified therein to the satisfaction of Strategic and the Monitor.

8.7 **Superior Proposal.** The Competing Bid that offers the highest consideration for the Zama Parcel, and is otherwise acceptable to Strategic and the Monitor, shall be deemed to be the "Superior Proposal" for the purposes of Article 8 of this SISP.

8.8 **ROFR.** Forthwith upon determining the Superior Proposal the Monitor shall forthwith submit such proposal to the Stalking Horse Bidder to determine whether the Stalking Horse Bidder will exercise its ROFR: The Stalking Horse Bidder will advise Strategic and the Monitor within 5 Business Days whether it intends to exercise the ROFR.

8.9 **AER Review.** In the event that the Stalking Horse Bidder does not exercise the ROFR, then the Superior Proposal shall be submitted to the AER for its review and the AER will advise Strategic and the Monitor within 10 Business Days whether the Superior Proposal is acceptable or, if not, what conditions would be required to render it acceptable. Strategic and the Monitor will work with the Competing Bidder under the Superior Proposal, who will have 5 Business Days to satisfy the conditions set forth by the AER.

- 8.10 **Court Approval.** Forthwith upon a Superior Proposal obtaining approval from the AER as contemplated under the previous subsection, Strategic shall bring an application for approval of the Court to close the Superior Proposal. The Superior Proposal shall close forthwith after Court Approval and the proceeds of sale, to the extent necessary to repay the Deposit, Accrued Interest, and the Break Fee, shall be directed to the Stalking Horse Bidder to discharge the obligations secured by the Stalking Horse Charge.
- 8.11 **Closing of the Stalking Horse Bid.** In the event that either: (a) there is no Superior Proposal, (b) the ROFR is exercised, or (c) the Competing Bidder under the Superior Proposal cannot satisfy the conditions of the AER, then Strategic, the Monitor, and the Stalking Horse Bidder shall close the Stalking Horse Bid as soon as is practicable after such event and the Zama Parcel will vest in the Stalking Horse Bidder in accordance with the terms of the Order approving this SISP.

## **ARTICLE 9**

### **GENERAL PROVISIONS**

- 9.1 **Deposits.** All Deposits shall be retained by Dentons and invested in an interest-bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Hearing shall be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction and will be non-refundable. If a Successful Bidder fails to comply with any provision contained in its Successful Bid, the Deposit and all other payments made in connection with the Purchase Price shall be forfeited as liquidated damages. The Deposits (plus applicable interest) of Qualified Bidders not selected as a Successful Bidder shall be returned to such bidders within ten Business Days after the date on which Qualified Bids are deemed rejected in accordance with subsection 7.4. If there is no Successful Bid, all Deposits shall be returned to the bidders within 10 Business Days of the date upon which the SISP is terminated in accordance with these procedures.
- 9.2 **Right to Reject Offers.** The highest or any Offer will not necessarily be accepted. Neither Strategic nor the Monitor has any obligation to conclude a sale arising out of this process and they reserve the right and unfettered discretion to reject any Offer received.
- 9.3 **Taxes.** All applicable federal and provincial taxes are payable by the Qualified Bidder (unless an exemption certificate is produced), not Strategic.
- 9.4 **No Assignment.** No Qualified Bid or Successful Bid may be assigned by the Qualified Bidder to any third party without the prior written consent of Strategic and the Lender, and such consent may be unreasonably withheld.
- 9.5 **Time of the Essence.** All stipulations as to time in this SISP are strictly of the essence.
- 9.6 **No Commissions.** Neither Strategic nor the Monitor shall be required to pay any finder's fees, commissions, expenses or other compensation to any agents, consultants, advisors, or other intermediaries in respect of any Qualified Bid or Successful Bid, unless expressly agreed to separately and in writing and consented to by the Lender.
- 9.7 **Applicable Law.** The laws of the Province of Alberta shall govern this SISP. Strategic and each Qualified Bidder agree that the Court shall have the exclusive jurisdiction to determine any and all

disputes under this SISP and any transaction contemplated hereunder hereby attorn to the jurisdiction of the Court.

**ARTICLE 10**  
**ADDITIONAL APPROVALS**

- 10.1 **Additional Approvals**. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the applicable law in order to implement a Successful Bid.

**ARTICLE 11**  
**ONGOING SUPERVISION**

- 11.1 **Standing**. At any time during the SISP, Strategic, the Monitor, or the Lender may apply to the Court for advice and directions with respect to the terms and condition of the SISP.

**SCHEDULE "A"**

Address of Strategic

Strategic Oil & Gas Ltd.  
1100, 645 - 7th Avenue S.W.  
Calgary, AB T2P 4G8  
Attention: Tony Berthelet

E-mail: [tberthelet@sogoil.com](mailto:tberthelet@sogoil.com)

**SCHEDULE "B"**

Form of PSA:

**APPENDIX "B"**

**STALKING HORSE BID PURCHASE AND SALE AGREEMENT**

**STRATEGIC OIL & GAS LTD.**

**- and -**

**GMT EXPLORATION ZAMA INC.**

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**PURCHASE AND SALE AGREEMENT**

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**May 3, 2019**

## PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made as of the 3rd day of May, 2019

BETWEEN:

**STRATEGIC OIL & GAS LTD.**, a corporation incorporated under the laws of Alberta ("**Vendor**")

OF THE FIRST PART

- and -

**GMT EXPLORATION ZAMA INC.**, a corporation incorporated under the laws of British Columbia ("**Purchaser**")

OF THE SECOND PART

WHEREAS on April 10, 2019, Vendor and its wholly-owned subsidiary, Strategic Transmission Ltd., commenced proceedings under the *Companies' Creditors' Arrangement Act* (Canada), R.S.C. 1985, c. C-36;

AND WHEREAS Vendor intends, with the assistance of the Monitor, to undertake a sale and investment solicitation process pursuant to which interested parties may submit proposals to make an investment in, or purchase assets from, Vendor, in accordance with the SISP Procedures (as defined herein);

AND WHEREAS Vendor has agreed to sell and convey to Purchaser, and Purchaser has agreed to purchase and receive from Vendor, upon and subject to the terms and conditions of this Agreement (including requisite Court approvals as contemplated hereby), all of Vendor's interest in and to the Assets (as defined herein);

AND WHEREAS the parties intend that this Agreement and the Transaction herein constitute the "Stalking Horse Purchase" as contemplated by the SISP Procedures;

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **ARTICLE 1** **INTERPRETATION**

#### **1.1 Definitions**

In this Agreement (including the recitals above and each Schedule), unless the context otherwise requires or unless otherwise defined herein, the following words and phrases shall have the meanings set forth below:

- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations and liabilities to:



- (i) abandon, close, decommission, dismantle and remove all Tangibles, including all structures, foundations, buildings, pipelines, equipment, tanks and other facilities located in or on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands; and
- (ii) restore, remediate and reclaim the surface and subsurface locations of the Tangibles, and any lands used to gain access thereto, including such obligations relating to wells, pipelines and other facilities that were abandoned or decommissioned prior to the Closing Date and were located on the Lands or on other lands but used or previously used in respect of Petroleum Substances produced or previously produced from the Lands,

all in accordance with generally accepted oil and gas industry practices in Alberta and in compliance with all Applicable Laws;

- (b) "**Accrued Interest**" means an amount equal to interest accrued on the Deposit pursuant to Section 2.6;
- (c) "**AER**" means the Alberta Energy Regulator;
- (d) "**Agreement**" means this Purchase and Sale Agreement between the Parties, including the Schedules attached hereto and forming a part hereof;
- (e) "**Applicable Laws**" means, in relation to any Person, asset, transaction, event or circumstance, all (i) statutes (including regulations made thereunder), (ii) judgments, decrees and orders of courts of competent jurisdiction, (iii) rules, regulations, orders, ordinances and official directives of Government Authorities, and (iv) terms and conditions of all permits, licenses or other governmental or regulatory approvals or authorization, in each case which are in effect at the relevant time and are applicable to such Person, asset, transaction, event or circumstance;
- (f) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests;
- (g) "**Break Fee**" means the fee payable to Purchaser as provided for in Section 3.1(c);
- (h) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the Province of Alberta or the State of Colorado, or any day on which banks in Calgary, Alberta or Denver, Colorado are not open for the transaction of commercial business;
- (i) "**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended,
- (j) "**CCAA Proceedings**" means the proceedings commenced by Vendor and its wholly-owned subsidiary, Strategic Transmission Ltd., in the Court pursuant to the CCAA (Court File No. 1901-05089);

- (k) "**Claims**" means any and all rights or claims that may be asserted or made against Vendor or against the Assets of every nature of kind whatsoever and howsoever arising, including any and all encumbrances, liens, charges, pledges, mortgages and security interests, but excluding Permitted Encumbrances;
- (l) "**Closing**" means completion of the purchase by Purchaser and sale by Vendor of the Assets and transfer from Vendor to Purchaser of possession, beneficial ownership and risks of the Assets, and completion of all other transactions and matters incidental thereto as are contemplated herein to occur contemporaneously with such purchase and sale, all subject to and in accordance with the terms and conditions of this Agreement;
- (m) "**Closing Date**" means the fifth (5th) Business Day following the date upon which the Stalking Horse Procedures provide that Vendor and Purchase shall or may proceed to Closing, or such other Business Day as the Parties may agree in writing;
- (n) "**Court**" means the Court of Queen's Bench of Alberta, presiding in Action No. 1901-05089;
- (o) "**Deposit**" means the deposit provided for in Section 2.5;
- (p) "**Environmental Liabilities**" means all liabilities in respect of the environment that relate to the Assets or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
  - (i) transportation, storage, use or disposal of toxic or hazardous substances;
  - (ii) release, spill, escape emission, leak, discharge, migration or disposal of toxic or hazardous substances; or
  - (iii) pollution or contamination of, or damage to, the environment;including liabilities to compensate Third Parties for damages and Losses resulting from the items described in clauses (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the environment and, for purposes of this Agreement, "the environment" includes the air, the surface and subsurface of the earth, bodies of water (including rivers, streams, lakes and aquifers) and plant and animal life (including humans);
- (q) "**Facilities**" means all field facilities, whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are, or have been, used for production, gathering, treatment, compression, transportation, injection, water disposal, measurement, processing, storage or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, pipeline, production storage facility or warehouse;
- (r) "**Governmental Authority**" means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry,

sub-ministry, agency or sub-agency, court, board, regulatory body, bureau, office, or department, including any government-owned entity, having jurisdiction over a Party, the Assets or the Transaction;

- (s) "**GST**" means the goods and services tax payable pursuant to the GST Legislation;
- (t) "**GST Legislation**" means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations thereunder;
- (u) "**Interim Period**" means the period from and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated;
- (v) "**Lands**" means the lands set forth and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (w) "**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (x) "**Losses**" means all losses, costs, claims, damages, expenses and liabilities that a Party suffers, sustains, pays or incurs, including reasonable legal fees on a solicitor and his own client basis but notwithstanding the foregoing shall not include any liability for indirect or consequential damages including business loss, loss of profit, economic loss, punitive damages or income tax liabilities;
- (y) "**Miscellaneous Interests**" means all property, assets, interests and rights pertaining or ancillary to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or other of them, including any and all of the following:
  - (i) all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Petroleum and Natural Gas Rights or the Tangibles, including the Title Documents and any rights of Vendor in relation thereto;
  - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licenses and authorizations pertaining to the Tangibles;
  - (iii) the Surface Interests;
  - (iv) geological, geochemical and mineralogical data, reports and findings and archive samples, and all core or liquid samples and cuttings;
  - (v) all proprietary raw and processed seismic data owned, in the possession or control of or legally transferable by Vendor;

- (vi) all engineering information, to the extent relating to the Petroleum and Natural Gas Rights or the Tangibles which Vendor has in its custody or has access, excluding any such information which is subject to confidentiality restrictions; and
- (vii) the Wells, including the entire wellbores and any and all casing;
- (z) **"Monitor"** means KPMG Inc., in its capacity as monitor appointed in the CCAA Proceedings, and not in its personal capacity;
- (aa) **"Parties"** means the parties to this Agreement and includes their respective successors and permitted assigns, and **"Party"** means any one of them;
- (bb) **"Permitted Encumbrances"** means, as of a particular time, any of the following:
  - (i) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cable;
  - (ii) the right reserved to or vested in any Governmental Authority by the terms of any Title Document, lease, license, franchise, grant or permit or by any Applicable Law, to terminate any such Title Document, lease, license, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance thereof;
  - (iii) the right reserved to or vested in any Governmental Authority to levy taxes on Petroleum Substances or the income or revenue therefrom;
  - (iv) governmental requirements and limitations of general application respecting production rates from Wells or operations on in respect of the Lands;
  - (v) rights reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner;
  - (vi) liens granted in the ordinary course of business to a public utility or Governmental Authority in connection with operations on or in respect of the Lands;
  - (vii) the express or implied reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
  - (viii) all adverse claims, encumbrances and other burdens identified in Schedule "A";
  - (ix) the terms and conditions of the Title Documents;

provided that, the following items must be identified in Schedule "A" to qualify as a "Permitted Encumbrance" hereunder: (A) any overriding royalty, net profits interest, net carried interest or other adverse claim applicable to the Petroleum and Natural

Gas Rights for which Purchaser will have any obligation for payment; (B) any existing potential alteration of Vendor's interests in the Assets because of a payout conversion or farmin, farmout or other similar agreement; and (C) any security interest which would not be a Permitted Encumbrance under the preceding paragraphs of this definition;

- (cc) "**Person**" means an individual, corporation, limited or unlimited liability company, body corporate, partnership (limited or general), trust, unincorporated organization, joint venture, Governmental Authority or other entity, and includes the heirs, executors, administrators or other legal representatives of an individual;
- (dd) "**Petroleum and Natural Gas Rights**" means all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule "A";
- (ee) "**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to or produced in conjunction with any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and hydrogen sulphide;
- (ff) "**Purchase Price**" shall have the meaning ascribed to that term in Section 2.2;
- (gg) "**Representatives**" means, with, respect to any Party, the directors, officers, servants, agents, advisors (including legal counsel), employees and consultants of that Party;
- (hh) "**Sales Taxes**" means all transfer, sales, excise, stamp, license, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind, including additions by way of penalties, interest and other amounts with respect thereto, including GST;
- (ii) "**SISP Order**" means an order to be granted by the Court in the CCAA Proceedings authorizing and approving (A) the SISP Procedures, (B) this Agreement, (C) the sale and vesting of the Assets in favour of the Purchaser, free and clear of all Claims, pursuant to Closing in accordance with the Stalking Horse Procedures, and (D) the Stalking Horse Charge, which order shall be substantially in the form attached as a schedule to the motion filed by Vendor in the CCAA Proceedings concurrently with the execution and delivery of this Agreement, and in any event in form and substance acceptable to each of Vendor, Purchaser and the Monitor;
- (jj) "**SISP Procedures**" means the sale and investment solicitation process appended to the SISP Order, with such changes thereto as are acceptable to each of Vendor, Purchaser and the Monitor;
- (kk) "**Specific Conveyances**" means all conveyances, assignments, notices, transfers, novations, registrations and other documents, instruments or records relating to the Assets reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer the Assets to

- Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (ll) **"Stalking Horse Charge"** means a first priority charge on the Assets, and on any proceeds from the sale thereof that are realized by Vendor from completion of a Superior Proposal, which charge shall: (i) be security for payment by Vendor to Purchaser of the Deposit, Accrued Interest and the Break Fee in accordance with this Agreement, (ii) be exempt from any claim of, or regulatory obligation imposed by, the AER that is unrelated to the Assets, and (iii) otherwise have the terms set out in the SISP Order;
  - (mm) **"Stalking Horse Procedures"** means the provisions of the SISP Procedures applicable to this Agreement and the Transaction herein;
  - (nn) **"Superior Proposal"** has the meaning ascribed thereto in the SISP Procedures;
  - (oo) **"Surface Interests"** means Vendor's interest in and to all rights to enter upon, use, occupy and enjoy the surface of the Lands and any lands upon which the Tangibles are located and any lands used to gain access to or otherwise use or exercise rights in respect of the Petroleum and Natural Gas Rights and the Tangibles or conduct operations in respect thereof, whether the same are held by right of way or otherwise;
  - (pp) **"Tangibles"** means the Facilities and any and all other tangible depreciable property and assets located in, upon or in the vicinity of the Lands or lands pooled or unitized therewith, including the Wells, and which are used in connection therewith or with production, gathering, processing, transmission, measurement or treatment operations relating to the Leased Substances and the Petroleum and Natural Gas Rights, or any of them;
  - (qq) **"Third Party"** means any Person other than the Parties;
  - (rr) **"Title Documents"** means, collectively, any and all certificates of title, leases, reservations, permits, licences, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring: (i) rights to explore for, drill for, produce, take, use or market Petroleum Substances; (ii) rights to share in the production of Petroleum Substances; (iii) rights to share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; (iv) Surface Interests; and (v) rights to acquire any of the rights described in items (i) to (iv) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands;
  - (ss) **"Transaction"** means the transaction for the purchase and sale of the Assets as contemplated by this Agreement;
  - (tt) **"Vendor's interest"** means all of the right, title, estate and interest of Vendor, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land"; and



- (uu) "**Wells**" means the well described in Schedule "B", including the facilities, well equipment and casing related to such well, and any other well located in or upon the Lands, whether producing, suspended, capped, previously abandoned or used as water source, service, injection, observation, delineation or disposal wells.

## 1.2 Interpretation

Unless the context otherwise requires, the following rules of construction shall apply to this Agreement:

- (a) the headings in this Agreement are inserted for convenience or reference only and shall not affect the meaning, interpretation or construction of this Agreement;
- (b) all documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof, and the provisions hereof shall govern and prevail in the event of a conflict;
- (c) any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and in force at the date hereof;
- (d) whenever the singular or masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or referring to a body politic or corporate, and *vice versa*, as the context requires;
- (e) the words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and not to any particular provision of this Agreement;
- (f) reference to any Article, Section or Schedule means a Article, Section or Schedule of this Agreement unless otherwise specified;
- (g) if any provision of a Schedule hereto conflicts with or is at variance with any provision in the body of this Agreement, the provisions in the body of this Agreement shall prevail to the extent of the conflict;
- (h) "include" and derivatives thereof shall be read as if followed by the phrase "without limitation";
- (i) all references to currency shall mean Canadian dollars, unless otherwise specifically stated;
- (j) where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires;
- (k) terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom and usage of the petroleum and natural gas industry in Western Canada as of the date of this Agreement, will have such generally accepted meanings when used in this

Agreement unless the contrary is specified or provided for elsewhere in this Agreement; and

- (l) wherever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment must be made or action taken on the next Business Day and time periods within or following which any payment is to be made or any act is to be done under this Agreement will be calculated by excluding the day on which the period commences and including the day on which such period ends.

## 1.2 Schedules

The following schedules are attached to and form part of this Agreement:

SCHEDULE "A"	Land Schedule
SCHEDULE "B"	Well Schedule
SCHEDULE "C"	Form of General Conveyance
SCHEDULE "D"	Form of Officer's Certificate

## 1.3 Interpretation if Closing does not Occur

If 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.

## **ARTICLE 2** **PURCHASE AND SALE; CLOSING**

### 2.1 Purchase and Sale

Vendor hereby agrees to sell and convey to Purchaser, and Purchaser hereby agrees to purchase and receive from Vendor, all of Vendor's interest in and to Assets, all in accordance with and subject to the terms and conditions set forth in this Agreement.

### 2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor as the purchase price for the Assets hereunder is One Million Five Hundred Thousand Canadian dollars (\$1,500,000) (the "**Purchase Price**"), to be satisfied as follows:

- (a) payment by Purchaser of the Deposit as provided in Section 2.5;
- (b) the amount of Accrued Interest payable by Vendor to Purchaser to and including the Closing Date shall be set off against the Purchase Price; and
- (c) at Closing, Purchaser shall deliver (or cause to be delivered) to Vendor payment of the balance of the Purchase Price, net of the Deposit and Accrued Interest, by bank draft, certified cheque or wire transfer.

### 2.3 Purchase Price Allocation

The Parties shall allocate the Purchase Price among the Assets as follows:



Petroleum and Natural Gas Rights:	\$	1,425,000
Tangibles:		74,999
Miscellaneous Interests:		1.00
		<hr/>
TOTAL:	\$	1,500,000

#### 2.4 Assumption of Abandonment and Reclamation Obligations

In determining the Purchase Price and the fair market value of the Assets, the Parties have taken into account Purchaser's assumption of responsibility for Abandonment and Reclamation Obligations associated with the Assets, as provided herein, and the release of Vendor of any responsibility therefor.

#### 2.5 Deposit

Purchaser shall pay to Vendor, within three (3) Business Days after the date on which the SISP Order is granted, a deposit in the amount of One Million Two Hundred Thousand Canadian Dollars (\$1,200,000) (the "**Deposit**"), which amount shall be immediately available to Vendor for general corporate purposes in accordance with the cash flow forecasts filed by Vendor in the CCAA Proceedings and thereafter dealt with in accordance with the following:

- (a) if Closing occurs, the Deposit shall be applied as partial payment of the Purchase Price; or
- (b) if this Agreement is terminated, Vendor shall promptly repay to Purchaser the full amount of the Deposit plus Accrued Interest.

#### 2.6 Interest on Deposit

The Deposit shall bear interest at the rate of one percent (1%) per month from the date on which the Deposit is paid to Vendor until (and including): (i) if Closing occurs, the Closing Date or (ii) if for any reason Closing does not occur, the date on which the Deposit is repaid to Purchaser as provided in Section 2.5.

#### 2.7 Closing

Subject to the satisfaction or waiver of the conditions to Closing as set out in Article 5 below, Closing of the purchase and sale of the Assets as provided for herein shall take place on the Closing Date at the offices of Purchaser's solicitors, Bennett Jones LLP, located at 4500 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta, whereupon possession, risk and beneficial ownership of the Assets shall pass from Vendor to Purchaser.

#### 2.8 Closing Deliveries – Vendor

On the Closing Date (and subject, for certainty, to the satisfaction or waiver of the conditions to Closing in favour of Vendor as set out in Article 5 below), Vendor shall deliver to Purchaser:

- (a) a certified copy of the SISP Order;
- (b) the General Conveyance in the form attached as Schedule "C", duly executed by Vendor;

- (c) the Officer's Certificate substantially in the form attached as Schedule "D", duly executed by Vendor;
- (d) the Specific Conveyances, duly executed by Vendor;
- (e) a receipt for the Purchase Price; and
- (f) such other documentation as may be specifically referenced herein or as may reasonably be required by Purchaser.

## **2.9 Closing Deliveries – Purchaser**

On the Closing Date (and subject, for certainty, to the satisfaction or waiver of the conditions to Closing in favour of Purchaser as set out in Article 5 below), Purchaser shall deliver to Vendor:

- (a) the balance of the Purchase Price, net of the Deposit and Accrued Interest, by bank draft, certified cheque or wire transfer;
- (b) the General Conveyance in the form attached as Schedule "C", duly executed by Purchaser; and
- (c) the Officer's Certificate substantially in the form attached as Schedule "D", duly executed by Purchaser.

## **2.10 Specific Conveyances**

Vendor shall prepare the Specific Conveyances at its cost. At a reasonable time prior to Closing, Vendor shall provide for Purchaser's review all Specific Conveyances and it shall be Purchaser's responsibility to ensure that the Specific Conveyances are accurate, complete and in registerable form. The Parties shall execute such Specific Conveyances at or before Closing. No Specific Conveyance shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall register in the applicable registry all registrable Specific Conveyances, and shall bear all costs incurred respect thereof and in preparing and registering any further assurances required to convey the Assets to Purchaser. Insofar as Specific Conveyances are in the form of electronically recorded transfers with the relevant Governmental Authority, the Parties shall use reasonable efforts to complete such transfers on the Closing Date.

## **2.11 Title Documents and Miscellaneous Interests**

As soon as practicable following Closing, and in any event no later than five (5) Business Days thereafter, Vendor shall deliver to Purchaser the Title Documents and any other agreements and documents that are in Vendor's possession to which the Assets are subject and such contracts, agreements, records, books, documents, licenses, reports and data comprising Miscellaneous Interests which are now in the possession of Vendor or of which Vendor gains possession before Closing. Vendor shall deliver original documents, except where it does not have originals, in which case Vendor will deliver copies of all documents and instruments described in this Section 2.11.

## 2.12 Sales Taxes

- (a) Each of Purchaser and Vendor is registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:
- Vendor: 12656 7031 RT0001  
Purchaser: 77313 9316 RT0001
- (b) The Parties acknowledge that the Purchase Price is exclusive of any applicable Sales Taxes. Purchaser shall be solely responsible for all Sales Taxes that may be imposed by any Governmental Authority under Applicable Laws and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner.
- (c) The Parties acknowledge and agree that: (i) no GST is exigible on the Petroleum and Natural Gas Rights; and (ii) the Tangibles are comprised solely of real property and, accordingly, Purchaser shall self-assess any GST exigible on the Tangibles in accordance with the GST Legislation.

## **ARTICLE 3** **COVENANTS**

### 3.1 SISP Procedures

This Agreement and the Transaction herein shall constitute the "Stalking Horse Bid" for the purposes of the SISP Procedures. Provided that the SISP Order is granted, the obligation of Purchaser to purchase the Assets and the obligation of Vendor to sell the Assets pursuant hereto is subject to the Stalking Horse Procedures and the satisfaction of all applicable conditions therein. Notwithstanding the foregoing, the Parties hereby acknowledge and agree as follows:

- (a) Vendor shall make application to the Court for the SISP Order as soon as reasonably practicable after execution of this Agreement, and in connection therewith prepare and file all required materials and serve such Third Parties as the CCAA, the Court and Purchaser may require.
- (b) Provided that the SISP Order is granted, Vendor shall comply with the procedures and timelines set out therein and in the Stalking Horse Procedures and shall not waive any provision of, or apply to the Court to amend, or consent to any application by any Person for the amendment of, the Stalking Horse Procedures without the prior written consent of Purchaser.
- (c) In the event that a Superior Proposal is approved by the Court and is completed, Vendor shall immediately pay to Purchaser a fee in the amount of Seventy Five Thousand Canadian Dollars (\$75,000) (the "**Break Fee**").

- (d) Upon the completion of a Superior Proposal, (i) this Agreement shall automatically terminate; and (ii) Vendor and Purchaser shall have no further obligations to the other Party with respect to this Agreement or the Transaction herein except as provided in Section 7.1.

### **3.2 Court Filings**

During the Interim Period, Vendor shall: (i) deliver to Purchaser copies of all pleadings, motions, applications, affidavits, notices, statements, schedules, reports and other papers proposed to be filed by Vendor with the Court and which relate, in whole or in part, to this Agreement or to Purchaser, prior to their filing; (ii) provide Purchaser with a reasonable opportunity to review and comment thereon; and (iii) reasonably and in good faith consider any comments provided by Purchaser.

### **3.3 Maintenance of Assets**

- (a) During the Interim Period, Vendor shall, to the extent that the nature of its interest permits, and subject to the Title Documents, maintain the Assets in a proper and prudent manner in accordance with good oil and gas industry practices and in material compliance with all Applicable Laws and perform and comply with all covenants and conditions contained in the Title Documents and any other agreements and documents to which the Assets are subject, it being acknowledged that insofar as Vendor is not operator its obligation under this paragraph extends only to what would be expected of a non-operator in similar circumstances.
- (b) During the Interim Period, Vendor shall not, without the prior written consent of Purchaser: (i) sell, transfer, dispose of, surrender or abandon, or mortgage or otherwise encumber, any of the Assets; or (ii) agree to amend or terminate any Title Documents or enter into any new agreement or commitment relating to the Assets.

### **3.4 Post-Closing Transition**

Following Closing, Vendor shall hold title to the Assets in trust for Purchaser, as bare legal trustee, until all necessary notifications, registrations and other steps required to transfer such title to Purchaser have been completed. Until Purchaser is fully novated in and to the Assets, into the Title Documents and any other agreements and documents to which the Assets are subject, as applicable, Vendor shall, in a timely manner (i) forward to Purchaser any Third Party notices and communications received in respect of the Assets, and respond to such notices and communications as Purchaser may reasonably request, and (ii) act as Purchaser's agent as Purchaser reasonably and lawfully directs in respect thereof.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

### **4.1 Vendor's Representations and Warranties**

Vendor hereby represents, warrants and covenants to and with Purchaser that:

- (a) **Corporate Standing.** Purchaser is, and at the Closing Date will be, a corporation duly organized, validly existing and in good standing under the laws of the Province of Alberta.
- (b) **Requisite Authority.** Vendor has all requisite power and authority to enter into this Agreement, to sell the Assets on the terms and conditions contemplated hereby, and to otherwise perform its obligations under this Agreement.
- (c) **No Conflicts.** The consummation of the Transaction will not violate, nor be in conflict with, the provisions of any agreement or instrument to which Vendor is a party or is bound, or any Applicable Law.
- (d) **Execution of Documents.** This Agreement has been, and all other documents (including the General Conveyance) executed and delivered by Vendor pursuant hereto will at the time of Closing be, duly authorized, executed and delivered by Vendor. This Agreement does, and such other documents (including the General Conveyance) will at the time of Closing, constitute legal, valid and binding obligations of Vendor enforceable against Vendor in accordance with their respective terms, subject to bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences.
- (e) **Tax Resident.** Vendor is a resident of Canada within the meaning of the *Income Tax Act* (Canada).

#### 4.2 Purchaser's Representations and Warranties

Purchaser hereby represents, warrants and covenants to and with Vendor that:

- (a) **Corporate Standing.** Purchaser is, and at the Closing Date will be, a corporation duly organized, validly existing and in good standing under the laws of the Province of British Columbia, and is duly registered as an extra-provincial corporation under the laws of the Province of Alberta.
- (b) **Requisite Authority.** Purchaser has all requisite power and authority to enter into this Agreement, to purchase the Assets on the terms and conditions contemplated hereby, and to otherwise perform its obligations under this Agreement.
- (c) **No Conflicts.** The consummation of the Transaction will not violate, nor be in conflict with, the provisions of any agreement or instrument to which Purchaser is a party or is bound, or any Applicable Law.
- (d) **Execution of Documents.** This Agreement has been, and all other documents (including the General Conveyance) executed and delivered by Purchaser pursuant hereto will at the time of Closing be, duly authorized, executed and delivered by Purchaser. This Agreement does, and such other documents (including the General Conveyance) will at the time of Closing, constitute legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their respective terms, subject to bankruptcy, insolvency,

preference, reorganization, moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences.

- (e) **Finders' Fees.** Purchaser has not incurred any liability, contingent or otherwise, for brokers' or finders' fees in respect of this Transaction for which Vendor shall have any obligation or liability.
- (f) **Tax Resident.** Purchaser is a resident of Canada within the meaning of the *Income Tax Act* (Canada).
- (g) **Regulatory Requirements.** Purchaser meets all qualification requirements of all Government Authorities and under Applicable Law to purchase and hold the Assets.

#### 4.3 Limitation of Vendor's Representations and Warranties

- (a) Vendor makes no representations or warranties except as expressly set forth in Section 4.1 and, in that regard, Purchaser acknowledges and agrees that the Assets are sold on an "as is-where is" basis and that there are no representations, warranties or conditions, whether express or implied (by law or by equity) with respect to the Assets including the merchantability of the Assets, the quality or fitness for any particular purpose of the Assets, or the conformity of the Assets to any descriptions. Purchaser acknowledges that it has conducted its own independent inspection of the Assets and is satisfied with the Assets in all respects. All conditions and warranties provided for in the *Sale of Goods Act* (Alberta) and any similar legislation shall not apply to this Agreement and are deemed to be waived by Purchaser.
- (b) Without limiting the generality of the foregoing, Vendor disclaims all liability for any representation, warranty, statement or information made or communicated, orally or in writing, to Purchaser or any of its Representatives with respect to the Assets or the Transaction, and the Parties agree that there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, at law or in equity, with respect to the Assets or the Transaction.
- (c) Purchaser acknowledges and confirms that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, and is not relying upon any representation or warranty of Vendor as to the condition, environmental or otherwise, of the Assets, except only as expressly set forth in Section 4.1.

#### 4.4 Survival

The representations and warranties set forth in Sections 4.1 and 4.2, respectively, shall be true and correct as of the date hereof and on the Closing Date, and shall survive Closing for the benefit Purchaser and Vendor, respectively; provided that no claim in respect of such representations and warranties shall be made or be enforceable unless written notice of such claim is given by the Party making the claim to the other Party within twelve (12) months of the Closing Date. There shall not be any merger of any covenant, representation or warranty in any assignment, conveyance, transfer



or document delivered pursuant hereto, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

## **ARTICLE 5** **CLOSING CONDITIONS**

### **5.1 Mutual Closing Conditions**

The respective obligations hereunder of Purchaser to complete the purchase of the Assets from Vendor, and of Vendor to complete the sale of the Assets to Purchaser, pursuant to this Agreement is subject to the satisfaction of the following conditions precedent:

- (a) the SISP Order shall have been obtained on or before May 10, 2019;
- (b) on the Closing Date, the SISP Order shall be in full force and effect;
- (c) on the Closing Date, there shall not be in effect any order, ruling or decree, whether temporary, preliminary or permanent, of any court or other Governmental Authority, or any Applicable Law, that restrains, enjoins or prohibits consummation of the Transaction as provided herein, and no demand therefor or action or proceeding to make, obtain or enact the same shall have been made or instituted by or before any Governmental Authority; and
- (d) without limiting the foregoing, the AER shall have consented to the SISP Order and, in particular, the inclusion of the Stalking Horse Charge therein.

The foregoing conditions are for the mutual benefit of the Parties and may be waived by either Party (with respect to such Party) in its sole discretion, by written notice to the other Party, in whole or in part, at any time, without prejudice to any other rights such waiving Party may have.

If any of the foregoing conditions has not been satisfied or waived at or before the date stipulated, either Party may terminate this Agreement by written notice to the other Party. If either Party terminates this Agreement pursuant to this Section 5.1, Vendor shall forthwith return and pay the Deposit plus Accrued Interest to Purchaser, and Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in Section 7.1.

### **5.2 Vendor's Closing Conditions**

The obligation hereunder of Vendor to complete the sale of the Assets to Purchaser pursuant to this Agreement is subject to the satisfaction at or before the Closing Date of the following conditions precedent:

- (a) Vendor shall have received the Deposit as provided in Section 2.5;
- (b) all representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects on the Closing Date;
- (c) Purchaser shall have, in all material respects, timely performed and satisfied all obligations required by this Agreement to be performed and satisfied by Purchaser at or before Closing;

- (d) Vendor shall have received a certificate from a senior officer of Purchaser substantially in the form attached hereto as Schedule "D" dated as of the Closing Date;
- (e) Purchaser shall have tendered payment of the balance of the Purchase Price to Vendor as provided in Section 2.2; and
- (f) Purchaser shall have executed and tabled for delivery to Vendor all Specific Conveyances and the General Conveyance.

The foregoing conditions are for the exclusive benefit of Vendor and may be waived by Vendor in its sole discretion, by written notice to Purchaser, in whole or in part, at any time, without prejudice to any other rights Vendor may have.

If any of the foregoing conditions has not been satisfied or waived at or before the Closing Date, Vendor may terminate this Agreement by written notice to Purchaser. If Vendor terminates this Agreement pursuant to this Section 5.2, Vendor shall forthwith return and pay the Deposit plus Accrued Interest to Purchaser, and Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in Section 7.1.

### **5.3 Purchaser's Closing Conditions**

The obligation hereunder of Purchaser to complete the purchase of the Assets from Vendor pursuant to this Agreement is subject to satisfaction at or before the Closing Date of the following conditions precedent:

- (a) the Closing Date shall be not later than July 31, 2019;
- (b) the (i) provisions of the SISP Order relating to this Agreement and the Transaction herein and (ii) Stalking Horse Procedures shall not have been amended otherwise than with the prior written consent of Purchaser;
- (c) all representations and warranties of Vendor contained in this Agreement shall be true and correct in all material respects on the Closing Date;
- (d) Vendor shall have, in all material respects, timely performed and satisfied all obligations required by this Agreement to be performed and satisfied by Purchaser at or before Closing;
- (e) Purchaser shall have received a certificate from a senior officer of Vendor substantially in the form attached hereto as Schedule "D" dated as of the Closing Date;
- (f) Vendor shall have executed and tabled for delivery to Purchaser all Specific Conveyances and the General Conveyance; and
- (g) the terms or conditions on which the AER shall have consented to the SISP Order and, in particular, the inclusion of the Stalking Horse Charge therein, shall be acceptable to Purchaser.



The foregoing conditions are for the exclusive benefit of Purchaser and may be waived by Purchaser in its sole discretion, by written notice to Vendor, in whole or in part, at any time, without prejudice to any other rights Purchaser may have.

If any of the foregoing conditions has not been satisfied or waived at or before the Closing Date, Purchaser may terminate this Agreement by written notice to Vendor. If Purchaser terminates this Agreement pursuant to this Section 5.3, Vendor shall forthwith return and pay the Deposit plus Accrued Interest to Purchaser, and Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in Section 7.1.

#### **5.4 Satisfaction of Conditions**

Each Party covenants to proceed diligently and in good faith and use all reasonable efforts to fulfill and cause to be satisfied the conditions precedent for its benefit, as set out in this Article 5, insofar as fulfillment and satisfaction is within its control or influence.

### **ARTICLE 6 PURCHASER LIABILITY AND INDEMNIFICATION**

#### **6.1 Post-Closing Liability**

Except with respect to Environmental Liabilities as provided for in Section 6.2, provided that Closing has occurred, Purchaser shall:

- (a) be liable and responsible for any Losses that Vendor may suffer, sustain, pay or incur; and
- (b) indemnify and save harmless Vendor from and against all Losses, actions, proceedings and demands brought against Vendor or which it may suffer, sustain, pay or incur,

as a result of any matter resulting from, attributable to or connected with the Assets and occurring or accruing on or after the Closing Date, except any Losses to the extent that they either are reimbursed (or reimbursable) by insurance maintained by Vendor or are caused by Vendor.

#### **6.2 Environmental Liabilities; Abandonment and Reclamation Obligations**

Purchaser acknowledges that, insofar as the environmental condition of the Assets is concerned, it will acquire the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the environmental condition of the Assets, Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be liable and responsible for any Losses that Vendor may suffer, sustain, pay or incur; and

- (b) indemnify and save harmless Vendor from and against all Losses, actions, proceedings and demands brought against Vendor or which it may suffer, sustain, pay or incur

as a result of any matter resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations (whether occurring or accruing before, on or after the Closing Date), and hereby releases Vendor from any claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether occurring or accruing before, on or after the Closing Date) in respect of all Wells and Facilities.

### 6.3 Third Party Claims

The following procedures shall be applicable to any claim by Vendor for indemnification pursuant to this Agreement from Purchaser in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) Promptly upon any Third Party Claim being made or commenced against Vendor, and in any event within ten (10) Business Days thereafter, Vendor shall provide written notice thereof to Purchaser. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by Vendor in respect thereof. If Vendor does not provide notice to the Purchaser within such ten (10) Business Day period, then such failure shall only lessen or limit Vendor's rights to indemnity hereunder to the extent that the defence of the Third Party Claim is prejudiced by such lack of timely notice.
- (b) If Purchaser acknowledges to Vendor in writing that Purchaser is responsible to indemnify Vendor in respect of the Third Party Claim pursuant hereto, Purchaser shall have the right to do either or both of the following:
  - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
  - (ii) settle the Third Party Claim, provided Purchaser pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on Vendor.
- (c) Each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim.
- (d) Vendor shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld or delayed), unless Vendor waives its rights to indemnification in respect of the Third Party Claim.

- (e) Upon payment of the Third Party Claim, Purchaser shall be subrogated to all rights or claims Vendor may have relating thereto. Vendor shall give such further assurances and co-operate with the Purchaser to permit the Purchaser to pursue such subrogated rights or claims as reasonably requested by it.
- (f) If Purchaser has paid any amount pursuant to the indemnification obligations herein and Vendor is subsequently reimbursed such amount (or any portion thereof) from any source in respect of the Third Party Claim from any Third Party, Vendor shall promptly pay the reimbursed amount (including any interest thereon actually received) to Purchaser.

## **ARTICLE 7** **GENERAL**

### **7.1 Termination**

Notwithstanding any termination of this Agreement, whether pursuant to Section 3.1(d) or as permitted under Section 5.1, Section 5.2 or Section 5.3, the provisions of Section 2.5 (Deposit), Section 2.6 (Interest on Deposit), paragraph (c) of Section 3.1 (SISP Procedures) and this Article 7 shall survive and remain in full force and effect.

### **7.2 Confidentiality and Public Announcements**

Each Party shall keep confidential all information obtained from the other Party in connection with the Assets and shall not disclose any information concerning this Agreement and the Transaction herein without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, that nothing herein shall prevent a Party from disclosing information: (i) to any Governmental Authority or the public if required by Applicable Law (including, for purposes of this Section 7.2, the rules of any applicable stock exchange); or (ii) pursuant to the CCAA Proceedings.

### **7.3 Further Assurances**

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

### **7.4 Governing Law**

This Agreement shall in all respects be governed by and construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without giving effect to any conflict of laws principles thereunder that would otherwise require the application of the laws of another jurisdiction, and shall be treated as a contract made in the Province of Alberta. Each Party irrevocably submits to and accepts the jurisdiction of the Court (and any court of appeal therefrom) in respect of all matters arising out of this Agreement.

### **7.5 Time**

Time shall be of the essence of this Agreement.

## 7.6 Addresses

Any notice or other communication required to be given under this Agreement shall be given in writing and shall be deemed sufficiently given if delivered personally or by recognized commercial courier service, or if transmitted by confirmed facsimile transmission or by electronic mail with receipt confirmed by the recipient, addressed as follows:

(a) if to Vendor:

Strategic Oil & Gas Ltd.  
1100, 645 - 7th Avenue S.W.  
Calgary, AB T2P 4G8  
Attention: Tony Berthelet  
Fax: (403) 767-9122  
E-mail: [toberthelet@sogoil.com](mailto:toberthelet@sogoil.com)

with copy to (which shall not constitute notice to Vendor):

Dentons Canada LLP  
15th Floor, 850 - 2nd Street S.W.  
Calgary, Alberta T2P 0R8  
Attention: David Mann  
E-mail: [david.mann@dentons.com](mailto:david.mann@dentons.com)

(b) if to Purchaser:

GMT Exploration Zama Inc.  
1560 Broadway, Suite 2000  
Denver, CO 80202  
Attention: Philip G. Wood – Vice President, Land  
Fax: (303) 586-9284  
E-mail: [pwood@gmtexploration.com](mailto:pwood@gmtexploration.com)

with copy to (which shall not constitute notice to Purchaser):

Bennett Jones LLP  
4500, 855 - 2nd Street S.W.  
Calgary, Alberta T2P 4K7  
Attention: Colin Perry  
Fax: (403) 265-7219  
E-mail: [perryrc@bennettjones.com](mailto:perryrc@bennettjones.com)

or at such other address, facsimile number or electronic mail address as may from time to time be substituted by the addressee by notice given as herein provided. Any notice or other communication so delivered or transmitted shall be deemed to have been given on (i) in the case of personal or courier delivery, the date of actual delivery, (ii) in the case of confirmed facsimile transmission, on the date of transmission, and (iii) in the case of electronic mail, on the date on which the recipient confirms receipt; except that if such date is not a Business Day, or if the personal or courier delivery, or facsimile or electronic mail transmission, occurs after 4:00 p.m. (local time of addressee), then the notice or other communication shall be deemed to have been given on the next following Business Day.

Sending a copy of a notice to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice to that Party. The failure to send a copy of a notice to legal counsel does not invalidate delivery of that notice to a Party.

#### **7.7 Entire Agreement**

This Agreement, and any instrument or other document contemplated hereby and delivered in connection herewith, constitutes the entire agreement between the Parties with respect to the matters herein and supersedes all prior agreements, understandings, negotiations and discussions regarding the subject matter hereof. There are no covenants, promises, representations, warranties, conditions or agreements (express, implied or collateral) between the Parties regarding the subject matter of this Agreement except as specifically set forth herein.

#### **7.8 Waiver**

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

#### **7.9 Amendment**

This Agreement shall not be varied in its terms, or amended by oral agreement or by representations or otherwise than by written instrument signed by both Parties.

#### **7.10 Invalidity of Provisions**

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

#### **7.11 Successors and Assigns**

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party shall be entitled to assign or transfer (in whole or in part) this Agreement or any rights or obligations hereunder without the prior written consent of the other Party.

#### **7.12 Counterparts; Electronic Signatures**

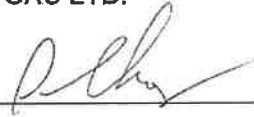
This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means, and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

*[remainder of page intentionally left blank – signature pages follow]*

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

**STRATEGIC OIL & GAS LTD.**

By: \_\_\_\_\_



Name:

Title:

AARON THOMPSON, C  
CHIEF FINANCIAL OFFICER

**GMT EXPLORATION ZAMA INC.**

By: \_\_\_\_\_

Name:

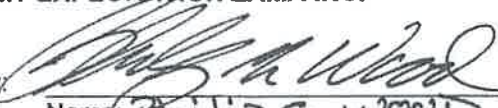
Title:

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

**STRATEGIC OIL & GAS LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**GMT EXPLORATION ZAMA INC.**

By:   
Name: Philip G. Wood  
Title: Vice President, Land

## SCHEDULE "A"

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF THE PURCHASE AND SALE AGREEMENT DATED MAY 3, 2019 BETWEEN STRATEGIC OIL & GAS LTD. AND GMT EXPLORATION ZAMA INC.

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### Land Schedule

see the following attachments

Exhibit A.1 – Zama Lands	(5 pages)
Exhibit A.2 – Shekilie Lands	(1 page)



Exhibit A.1 - Zama Lands

Agreement Number	Agreement Type	Lessee/License	Legal Description	Tract Number	Area (ha)	Area (ac)	Agreement Status	Term	Sale Date	Issue Date	Current Expiry Date	Sale Type	Horizontal Rights (Short Name)	W/ GMT	w/ SOG
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	114-05W6: NW Sec 32	1	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from SURF to BSMT	90%	-0%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	114-06W6: SW Sec 34	1	192.00	474.44	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from SURF to BSMT	90%	-0%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	114-08W6: SE Sec 34	1	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from SURF to BSMT	90%	10%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	114-08W6: SW Sec 35	2	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from SURF to BSMT	90%	10%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	115-05W6: NE Sec 4	1	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from base of SUL PT to BSMT	90%	10%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	115-05W6: NW Sec 4	1	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from base of SUL PT to BSMT	90%	10%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	115-05W6: NE Sec 9	1	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from base of SUL PT to BSMT	90%	10%
517120229	5 Year P&NG Lease (Northern)	Windfall Resources LTD.	115-05W6: SE Sec 18	1	64.00	158.15	Posted	5 years	12/20/2017	12/21/2017	12/21/2022	Lease	P&NG from base of SUL PT to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SW Sec 19	1	1536.00	3795.54	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SURF to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SE Sec 19												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NW Sec 29												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NE Sec 29												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 1												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 11												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: SE Sec 11												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: NW Sec 11												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 13												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: SW Sec 14												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: NW Sec 14												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	116-05W6: NE Sec 14												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	116-05W6: Sec 1												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 5	2	1024.00	2530.36	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of BLSKY-BULLH to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 6												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 8												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 17												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SW Sec 29	3	960.00	2372.21	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SUL PT to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SW Sec 30												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SE Sec 30												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NE Sec 30												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 31												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 23												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: SW Sec 26												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: SE Sec 26												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: NE Sec 26												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 7	4	2048.00	5060.72	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SUL PT to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 18												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SW Sec 20												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: SE Sec 20												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NW Sec 20												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: Sec 32												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 12												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 24												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 25												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: Sec 35												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	116-04W6: SW Sec 6	5	64.00	158.15	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SUL PT to base of SUL PT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: NW Sec 26	5	64.00	158.15	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of REG R to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	116-04W6: NW Sec 6	6	320.00	790.74	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of MUSKEG to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NW Sec 19	7	320.00	790.74	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of REG R to BSMT	90%	10%
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NE Sec 20												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-04W6: NW Sec 30												
5417120229	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-05W6: NE Sec 14												

Exhibit A.1 - Zama Lands

Agreement Number	Agreement Type	Lessee/Licensee	Legal Description	Tract Number	Area (ha)	Area (ac)	Agreement Status	Term	Sale Date	Issue Date	Current Expiry Date	Sale Type	Horizontal Rights (Short Name)	WI 3MT	WISOG	
5417120230	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-06W6: SE Sec 27 115-06W6: SE Sec 34 115-06W6: NW Sec 34 115-06W6: NE Sec 34 115-06W6: SW Sec 6 116-06W6: SE Sec 6 116-06W6: NE Sec 6 116-06W6: SE Sec 11 116-06W6: NE Sec 11 116-06W6: NE Sec 11 116-06W6: SW Sec 12 116-06W6: SW Sec 14 116-06W6: NE Sec 16 116-06W6: SW Sec 23 116-06W6: SE Sec 23 116-06W6: NE Sec 23 116-06W6: NW Sec 15 115-06W6: SW Sec 26 115-06W6: SE Sec 26 116-06W6: NW Sec 1 116-06W6: NE Sec 1 116-06W6: SE Sec 12 116-06W6: NW Sec 12 116-06W6: NW Sec 12 115-06W6: NW Sec 35 115-06W6: NE Sec 35 116-06W6: SE Sec 2 116-06W6: NE Sec 2 116-06W6: SE Sec 10 116-06W6: NE Sec 10 116-06W6: SW Sec 13 116-06W6: NW Sec 13 116-06W6: NE Sec 13 115-06W6: NW Sec 15 115-06W6: NE Sec 26 115-06W6: NE Sec 26 115-06W6: SW Sec 34 115-06W6: SW Sec 35 116-06W6: SE Sec 35 116-06W6: SW Sec 1 116-06W6: SW Sec 2 116-06W6: NW Sec 2 116-06W6: SW Sec 10 116-06W6: NW Sec 10 116-06W6: SW Sec 11 116-06W6: NW Sec 11 116-06W6: SE Sec 13 116-06W6: SW Sec 16 116-06W6: SE Sec 16 116-06W6: NW Sec 16 116-06W6: NW Sec 23	1	1408.00	3479.24	Posted	4 years	12/20/2017	12/21/2017	12/21/2017	12/21/2021	License	P&NG from SJRF to BSMT	33%	23%
5417120230	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-06W6: NW Sec 15	2	64.00	158.15	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SJRF to base of SJL PT	93%	10%	
5417120230	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-06W6: SW Sec 26	3	448.00	1107.03	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SJL PT to BSMT	93%	10%	
5417120230	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-06W6: NW Sec 15	4	640.00	1581.47	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SJL PT to BSMT	93%	10%	
5417120230	4 Year P&NG License (Northern)	Meridian Land Services (90) LTD.	115-06W6: NE Sec 26	5	1088.00	2688.51	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of KES R to BSMT	90%	10%	



Exhibit A.1 - Zama Lands

Agreement Number	Agreement Type	Lessee/Licensee	Legal Description	Tract Number	Area (ha)	Area (ac)	Agreement Status	Term	Sale Date	Issue Date	Current Expiry Date	Sale Type	Horizontal Rights (Short Name)	WI GMT	XI SOG
5417120231.4	Year P&NG License (Northern)		116-05W6: SE Sec 15	6	64.00	158.15	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SL PT to base of SUL PT	30%	10%
5417120232.4	Year P&NG License (Northern)		116-05W6: NW, NE Sec 8	1	4158.80	10276.62	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SURF to BSMT	30%	10%
			116-05W6: NW, SW, SE, Sec 9												
			116-05W6: Sec 15												
			116-05W6: Sec 16												
			116-05W6: Sec 17												
			116-05W6: Sec 22												
			116-05W6: Sec 27												
			116-05W6: Sec 29												
			116-05W6: NE, SE, SW Sec 31												
			116-05W6: Sec 32												
			116-05W6: NE, SE, SW Sec 33												
			116-05W6: Sec 35												
			117-05W6: NW, P, NE, SE, SW Sec 2												
			117-05W6: NE, SE, SW Sec 4												
			117-05W6: Sec 5												
			117-05W6: Sec 6												
			117-05W6: Sec 7												
			117-05W6: NW, SE, SW Sec 8												
5417120232.4	Year P&NG license (Northern)		116-05W6: SW Sec 21	2	192.00	474.44	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SURF to BSMT	50%	10%
			116-05W6: SE Sec 21												
5417120232.4	Year P&NG license (Northern)		116-05W6: NW Sec 21	2			Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	NG EX in SL PT zone	50%	10%
			116-05W6: SE, P&R 21												
5417120232.4	Year P&NG license (Northern)		116-05W6: NW Sec 21	3	64.00	158.15	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of KEG R to BSMT	50%	10%
5417120232.4	Year P&NG license (Northern)		116-05W6: NW Sec 33	3			Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SURF to base of SL PT	30%	10%
5417120232.4	Year P&NG license (Northern)		116-05W6: NW Sec 34	4	128.00	316.29	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SURF to base of SUL PT	50%	10%
			116-05W6: NE Sec 34												
5417120232.4	Year P&NG license (Northern)		116-05W6: SW Sec 34	5	128.00	316.29	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from SURF to base of SL PT	50%	10%
			116-05W6: SE Sec 34												
5417120232.4	Year P&NG license (Northern)		116-05W6: Sec 28	6	512.00	1265.18	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of JEAM M to BSMT	50%	10%
			117-05W6: Sec 3												
5417120232.4	Year P&NG license (Northern)		116-05W6: NE Sec 21	7	600.20	1483.13	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SL PT to BSMT	50%	10%
			116-05W6: Sec 30												
			117-05W6: SW Sec 1												
			117-05W6: NW Sec 4												
			117-05W6: P SE Sec 1												
5417120232.4	Year P&NG license (Northern)		117-05W6: P NW Sec 1	8	466.60	1152.99	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SUL PT to BSMT	50%	10%
			117-05W6: Sec 18												
			117-05W6: P SW Sec 11												
			117-05W6: P SE Sec 11												
			117-05W6: P NW Sec 11												
			117-05W6: P NW Sec 17												
			117-05W6: P NE Sec 17												
5417120232.4	Year P&NG license (Northern)		116-05W6: SW Sec 8	9	256.00	632.59	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of KEG R to BSMT	30%	10%
			116-05W6: NE Sec 8												
			117-05W6: NE Sec 8												
			117-05W6: SE Sec 17												

Exhibit A.1 - Zama Lands

Agreement Number	Agreement Type	Lessee/Licensee	Legal Description	Tract Number	Area (ha)	Area (ac)	Agreement Status	Term	Sale Date	Issue Date	Current Expiry Date	Sale Type	Horizontal Rights (Short Name)	WIGWT	WISOG	
5417120233	4 Year P&NG License (Northern)		116-06W6 Sec 32 116-06W6 Sec 34 116-06W6 SE Sec 36 117-06W6 Sec 4 117-06W6 Sec 5 117-06W6 Sec R 117-06W6 NW Sec 9 117-06W6 NE Sec 9 117-06W6 Sec 10 117-06W6 Sec 11 117-06W6 SW Sec 14 117-06W6 NW Sec 14 117-06W6 NE Sec 14 117-06W6 Sec 15 117-06W6 Sec 16 117-06W6 Sec 17 116-06W6 NE Sec 25 116-06W6 NW Sec 35 117-06W6 Sec 12 117-06W6 Sec 13 116-06W6 SW Sec 25 116-06W6 SE Sec 25 116-06W6 NW Sec 25 116-06W6 SW Sec 36 116-06W6 NE Sec 36 117-06W6 SW Sec 9 117-06W6 SE Sec 9 114-06W6 NW Sec 31 115-06W6 SE Sec 11 115-06W6 SW Sec 11 115-06W6 NE Sec 11	1	2044.00	7274.78	Posted	4 years	12/20/2017	12/21/2017	12/21/2017	12/21/2021	License	P&NG from SURF to BSMT	95%	10%
5417120233	4 Year P&NG License (Northern)		116-06W6 NE Sec 25	2	320.00	790.74	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SL PT to BSMT	93%	10%	
5417120233	4 Year P&NG License (Northern)		116-06W6 NW Sec 36	3	576.00	1423.33	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of SWL PT to BSMT	93%	10%	
5417120233	4 Year P&NG License (Northern)		116-06W6 SW Sec 25	4	448.00	1107.03	Posted	4 years	12/20/2017	12/21/2017	12/21/2021	License	P&NG from base of NEG R to BSMT	93%	10%	
518100069	5 Year P&NG Lease (Northern)	Meridian Land Services (90) LTD	114-06W6 NW Sec 31	1	64.00	158.15	Posted	5 years	10/3/2018	10/4/2018	10/4/2023	Lease	P&NG from SURF to BSMT	90%	10%	
518100069	5 Year P&NG Lease (Northern)	Meridian Land Services (90) LTD	115-06W6 SE Sec 11	1	64.00	158.15	Posted	5 years	10/3/2018	10/4/2018	10/4/2023	Lease	P&NG from base of SL PT to BSMT	90%	10%	
518100070	5 Year P&NG Lease (Northern)	Meridian Land Services (90) LTD	115-06W6 SW Sec 11	1	64.00	158.15	Posted	5 years	10/3/2018	10/4/2018	10/4/2023	Lease	P&NG from base of SL PT to BSMT	90%	10%	
518100071	5 Year P&NG Lease (Northern)	Meridian Land Services (90) LTD	115-06W6 NE Sec 11	1	64.00	158.15	Posted	5 years	10/3/2018	10/4/2018	10/4/2023	Lease	P&NG from base of SL PT to BSMT	90%	10%	
<b>Total Leasehold:</b>																
														<b>25,321.90</b>	<b>62,571.78</b>	

Exhibit A.2 - Sheklie Lands

Agreement Number	Agreement Type	Lessee/Licensee	Tract Number	Area (ha)	Area (ac)	Agreement Status	Term	Issue Date	Original Expiry Date	Current Expiry Date	Sale Type	Legal Description	Rights (Short Name)	WI GMT	WI SOG
5415050117	4 Year P&NG License (Northern)	LEXTERRA LAND LTD	1	4864.00	12019.21	Active	4 years	2015-05-28	2019-05-28	2021-03-31	License	119-06W6: Sec 1 119-06W6: Sec 2 119-06W6: Sec 3 119-06W6: Sec 11 119-06W6: Sec 12 119-06W6: Sec 13 119-06W6: Sec 14 119-06W6: Sec 18 119-06W6: Sec 19 119-06W6: Sec 20 119-06W6: Sec 21 119-06W6: Sec 23 119-06W6: Sec 24 119-06W6: Sec 25 119-06W6: Sec 26 119-06W6: Sec 27 119-06W6: Sec 28 119-06W6: Sec 29 119-06W6: Sec 30	P&NG from SURF to BSMT	50%	53%
5415050118	4 Year P&NG License (Northern)	LEXTERRA LAND LTD.	1	7360.00	18186.95	Active	4 years	2015-05-28	2019-05-28	2021-03-31	License	119-06W6: Sec 31-36 120-06W6: Sec 1-4 120-06W6: SF Sec 5 120-06W6: N Sec 5 120-06W6: Sec 6 120-06W6: Sec 8-24	P&NG from SURF to BSMT	50%	50%
5415050118	4 Year P&NG License (Northern)	LEXTERRA LAND LTD.	2	64.00	158.15	Active	4 years	2015-05-28	2019-05-28	2021-03-31	License	120-06W6: SW Sec 5	P&NG from base of NEG R to BSMT	50%	50%
				<b>Total Leasehold:</b>	<b>17,288.00</b>										

**SCHEDULE "B"**

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF THE PURCHASE AND SALE AGREEMENT DATED MAY 3, 2019 BETWEEN STRATEGIC OIL & GAS LTD. AND GMT EXPLORATION ZAMA INC.

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**Well Schedule**

<b>Unique Well Identifier</b>	<b>Well Name</b>	<b>Licensee</b>	<b>AER Licence No.</b>	<b>Surface Location</b>
100/15-21-116-04W6/0	GMTEXPLORATION HZ ZAMA 15-21-116-4	GMT EXPLORATION ZAMA INC	0493630	LSD 11-29- 116-04 W6M

**SCHEDULE "C"**

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF THE PURCHASE AND SALE AGREEMENT DATED MAY 3, 2019 BETWEEN STRATEGIC OIL & GAS LTD. AND GMT EXPLORATION ZAMA INC.

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**Form of General Conveyance**

THIS GENERAL CONVEYANCE is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 2019

BETWEEN:

**STRATEGIC OIL & GAS LTD.**, a corporation incorporated under the laws of Alberta ("**Vendor**")

- and -

**GMT EXPLORATION ZAMA INC.**, a corporation incorporated under the laws of British Columbia ("**Purchaser**")

**WHEREAS** Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

**NOW THEREFORE**, for the consideration provided in the Purchase and Sale Agreement between Vendor and Purchaser dated May 3, 2019 (the "**Purchase Agreement**") and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted and incorporated herein by reference.

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Vendor in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.



4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein, and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be governed by and construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without giving effect to any conflict of laws principles thereunder that would otherwise require the application of the laws of another jurisdiction, and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

*[remainder of page intentionally left blank – signature pages follow]*

**IN WITNESS WHEREOF** the Parties have executed this General Conveyance on the date first above written.

**STRATEGIC OIL & GAS LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**GMT EXPLORATION ZAMA INC.**

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE "D"**

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF THE PURCHASE AND SALE AGREEMENT DATED MAY 3, 2019 BETWEEN STRATEGIC OIL & GAS LTD. AND GMT EXPLORATION ZAMA INC.

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**Form of Officer's Certificate**

**[VENDOR'S/PURCHASER'S] OFFICER'S CERTIFICATE**

**TO:** [Name of Vendor/Purchaser] [{"Vendor"}/{"Purchaser"}]

**RE:** Purchase and Sale Agreement dated May 3, 2019 between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted and incorporated by reference in this certificate (the "**Certificate**").

I, [Name], [Position] of [Name of Vendor/Purchaser], hereby certify that, as of the date of this Certificate:

1. I am personally familiar, in my capacity as a senior officer of [Vendor/Purchaser], with the matters hereinafter stated.
2. Each of the representations and warranties of [Vendor/Purchaser] contained in the Agreement was true and correct in all material respects when made and is true and correct in all material respects as of the Closing Date.
3. All obligations of [Vendor/Purchaser] contained in the Agreement to be performed at or before Closing have been timely performed and satisfied in all material respects.
4. This Certificate is made for and on behalf of [Vendor/Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to this Certificate.
5. This Certificate is made with full knowledge that the [Vendor/Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this \_\_\_ day of \_\_\_\_\_, 2019.

**[NAME OF VENDOR/PURCHASER]**

Per: \_\_\_\_\_  
Name:  
Title:

**APPENDIX "C"**  
**REVISED CASH FLOW PROJECTION**



**Notes**

- 1 Production revenue is net of oil royalties. Estimated average is 1,260 boe/d for Q2 2019 (82% oil). Q2 pricing is the forward strip as of April 26 (WTI oil = US \$63.41/bbl, AECO gas = \$1.05/GJ).
- 2 Upon completion of a 45 day period, if no other superior bid is received, the Zama Parcel will be sold to the Stalking Horse purchaser in the amount of \$1.5 million, consisting of a \$1.2 million deposit received the week of May 6, 2019 and an additional \$300,000 received in the closing week.
- 3 Natural gas & NGL royalties only, paid 90 days after the production period. Oil royalties are taken in kind.
- 4 Operating expense forecasts are based on historical operating costs for the Company's assets. The majority of operating costs are fixed.
- 5 Capital and minimum regulatory expenditures are based on estimated costs for capital projects which are required for regulatory compliance or safety purposes.
- 6 Payroll is for key permanent employees who are essential to the Company's field and office operations.
- 7 Staff reduction plan to occur in May 2019.
- 8 General and administrative expense forecasts are based on historical office expenses, excluding fees related to public company reporting and
- 9 Interest is paid on \$15 million first lien financing at 12% on a quarterly basis, subject to further review. Interest also includes 1% per month payable on the Stalking Horse Deposit.
- 10 Estimated amounts.
- 11 Stalking Horse Deposit is related to the transaction described in Note 2 above.
- 12 Funds for the KERF are segregated from existing funds. Restricted cash is the KERF funding.