



ESTATE NO. 25-2624152 Clerk's Stamp

COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE CALGARY
IN THE MATTER OF THE BANKRUPTCY
OF DIRECT OIL & GAS INC.

APPLICANT MNP LTD., COURT-APPOINTED TRUSTEE OF THE ESTATE OF
DIRECT OIL & GAS INC., A BANKRUPT

DOCUMENT **TRUSTEE'S FIRST REPORT TO COURT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
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MNP Ltd.
1500, 640 – 5TH AVENUE SW
CALGARY AB, T2P 3G4

Attention: Victor Kroeger/Rick Anderson
Telephone: (403)-298-8479 / (403) 537 8434
Facsimile: (403) 269-8450
Email: victor.kroeger@mntp.ca / Rick.Anderson@mntp.ca

APPENDICES

APPENDIX A	Sayer Energy Advisor Engagement Agreement
APPENDIX B	Sayer Marketing brochure
APPENDIX C	Redacted Blue Sky Resourced Ltd. Asset Purchase Agreement

INTRODUCTION AND BACKGROUND

1. Direct Oil & Gas Inc. filed an assignment in bankruptcy on February 28th, 2020. The first meeting of creditors originally scheduled on March 19, 2020 had been postponed to April 17th, 2020 due to Covid-19 situation.
2. During the first meeting of creditors, MNP Ltd. was affirmed as Trustee in bankruptcy of Direct Oil; and three inspectors were appointed (the "Estate Inspectors").
3. All references to currency are in Canadian dollars unless otherwise stated.
4. In preparing this first report to the Court (the "First Report") and making comments herein, the Trustee has relied upon, certain unaudited, draft or internal financial information, including the Bankrupt's books and records, and information from other third-party sources (collectively, the "Information"). The Trustee 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 generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the "Standards"). Additionally, none of the Trustee's procedures were intended to disclose defalcations or other irregularities. If the Trustee were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may have come to the Trustee's attention. Accordingly, the Trustee does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
5. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
6. Wormwood Resources Ltd. was incorporated under the laws of the Province of Alberta on June 22, 2017. Subsequently, the company's name was changed to Direct Oil & Gas Inc. on December 15, 2017.
7. Direct Oil was an oil and gas company with producing properties in northern Alberta (the "Oil and Gas Assets"). The Alberta Energy Regulator (the "AER") has provided the

Direct Oil & Gas Inc – In Bankruptcy
Trustee's First Report to Court

Trustee with an administrative agreement (the "Administrative Agreement") regarding the payment of professional fees incurred in the administration of the bankruptcy estate. The Trustee had operated approximately 50% of the producing wells after its appointment in order to generate revenue and enhance the value of the assets as a going concern, however, shortly after its appointment, in consultation with its advisors Sproule Asset Management Ltd. ("Sproule") all properties were shut-in due to the significant decline in oil prices and unfavorable delivery contracts that were in place prior to the bankruptcy assignment.

PURPOSE

8. The purpose of the First Report is to provide the Court and other interested parties with information regarding the following relief sought by the Trustee, including:
 - (a) Approval of the sale of certain Direct Oil assets to Blue Sky Resources Ltd.'s offer ("Blue Sky" or the "Successful Bid"); and
 - (b) Approval to seal the Confidential Supplement to the First Report (the "Confidential Supplement").

SALES PROCESS

9. On March 6, 2020, the Trustee engaged Sayer Energy Advisors ("Sayer") to commence a sale, marketing and proposal process (the Sales Process"). The Sayer Agreement is attached as **Appendix "A"**. Sayer had been retained by the Bankrupt in 2019 to assist with the sale of the Oil and Gas Assets. As such, they were familiar with and had the majority of the required material in order to conduct a comprehensive Sales Process.
10. The Alberta Energy Regulator, (the "AER") and the Estate Inspectors were consulted and agreed with the Sales Process.
11. The Sales Process began on March 23, 2020 with a bid deadline of April 23, 2020 (the "Bid Deadline"). The properties were defined by Sayer as the north properties and the south properties. The north properties consisted of gas producing properties that had been shut in by Direct Oil prior to its assignment into bankruptcy. The south properties remained in operation at the time of Direct Oil's assignment (collectively, the "Properties") and were shut in by the Trustee on March 17, 2020. A copy of the marketing brochure prepared by Sayer (the "Brochure") is attached as **Appendix "B"**
12. The Brochure summarizing the Properties was mailed out to approximately 900 contacts. Subsequently, on March 24, 2020, approximately 2,100 additional contacts were emailed the Brochure.

Direct Oil & Gas Inc – In Bankruptcy
Trustee’s First Report to Court

13. Sayer had also advertised the Properties on multiple media outlets in USA and Canada such as in the BOE Report, A&D Watch, Energy Advisors Group and Sayer’s Canadian Oil Industry Asset Sale Listing during the Sales Process.

ANALYSIS OF OFFERS

14. During the Sales Process, Sayer received 21 requests for access to the data room with all parties executing non-disclosure agreements (the “NDA”s). Sayer received 13 offers for the Properties from 11 interested parties. Sayer provided a summary of the marketing process and the offers received in a report that is attached to the Confidential Supplement of this First Report.

An analysis of the 13 offers received by Sayer at the Bid Deadline (collectively, the “Bids”, and individually a “Bid”) are summarized below”.

Offeror	Type	Assets Included in Bid
BDJ Energy Inc.	Subject to due diligence, and board approval	Assets in Charlie and Habay
Black Horse Energy Corp.	Combination of \$500,000 in cash and the remainder paid in shares	Assets in Charlie
Blue Sky Resources Ltd.	subject to due diligence and AER approval	Assets in Cecil, Charlie, Chinchaga/Hamburg, Cranberry, Dixonviller, Habay and Hotchikiss
Canadian natural resources Limited	subject to due diligence	Assets in the 100/04-12-097-03W6 located in Cranberry
Canamax Energy Ltd.	Cash	Habay
CanDen Resources Ltd.	Payable on a quarterly basis over three-year period.	Merger and acquisition proposal
Nouva Strada Ventures Ltd.	Two separate offers, subject to due diligence and board approval	Charlie and Habay Assets
Perisson Petroleum Corp.	Subject to financing	Charlie Assets
Pavilion Petroleum Corp.	Subject to due diligence	Charlie and Habay Assets
True North Oil & Gas Ltd.	Subject to due diligence	Dixonville
TykeWest Limited	Subject to due diligence	Certain wells in Habay and Cecil

15. In order to evaluate the offers on a consistent basis Black Horse Energy Corp (“Black Horse”) and CanDen Resources Ltd. (“CanDen”) were asked to revise their offers. Black Horse’s original offer included a cash component and shares in Black Horse. The Trustee requested an all cash offer from Black Horse. Black Horse provided an all cash offer in the original amount and deleted the Black Horse share component of their offer. CanDen was also asked to revise their offer to provide a shorter closing time. In response, CanDen withdrew their offer.
16. Blue Sky was tentatively accepted, subject to Inspector approval, and the completion of Blue Sky’s due diligence into the assets. Arrangements were made to allow Blue Sky to start its due diligence on May 7, 2020. During the due diligence process, representatives of Blue Sky conducted a site visit and identified several concerns regarding a portion of the properties in their offer.

Direct Oil & Gas Inc – In Bankruptcy
Trustee's First Report to Court

17. After Blue Sky's due diligence, Blue Sky presented a revised offer on May 20, 2020 for the assets to take into account the concerns identified through its due diligence
18. The Bid is for certain assets of Direct Oil and include Cecil, Dixonville, Habay, Charlie, Hotchkiss, Cranberry, Chinchaga/Hamburg (the "Sale Properties"). A copy of the Blue Sky Asset Purchase Agreement (the "Blue Sky APA") is attached as "Appendix C" with the sales price and deposits redacted.
19. On June 17, 2020, the Estate Inspectors approved the sale to Blue Sky. After that approval the Trustee worked with Blue Sky to finalize the asset purchase agreement that is now being presented to the Court for approval.
20. The Trustee is of the view that Blue Sky Offer provides the best possible recovery for the Bankruptcy estate of Direct Oil:
 - (a) The Blue Sky Offer is the best offer received from the Sales Process;
 - (b) The Sale Properties include 77 wells, 12 in Cecil, 4 in Dixonville, 3 Habay, 22 in Charlie, 25 in Hotchkiss, 2 in Cranberry, 8 in Chinchaga and 1 in Hamburg respectively; 16 facilities, and 114 pipelines that would otherwise be surrendered to the Orphan Well Association upon the discharge of the Trustee; and
 - (c) The Northern Lights County and the County of Clear Hills have agreed, in order to assist in the closing of the of the Blue Sky Offer to accept a lesser amount for their respective property tax claims to the Sales Properties in satisfaction of their pre-bankruptcy claims. The exact amounts will be calculated after the payment of professional fees and disbursements that are part of the Trustee's Administrative Agreement with the AER and other priority claims.
21. As part of the Sale Process, Blue Sky was required to seek approval of the license transfers for the Sale Properties with the Alberta Energy Regulator (the "AER"). It is the Trustee's understanding that the AER has provided that approval subject to the approval of this sale by this Honourable Court.
22. All other offers presented during the Sale Process were rejected.
23. All other conditions have been waived and Blue Sky has advised the Trustee it is prepared and able to close upon Court approval.

CONCLUSIONS AND RECOMMENDATIONS

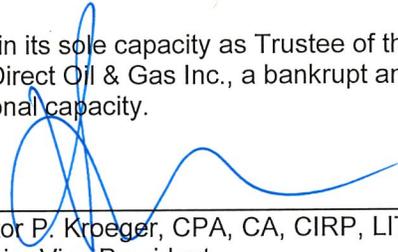
24. The Trustee is of the view that the Successful Bid represents the best offer available in the present circumstances for the Sale Properties. Further information regarding the Trustee's analysis of the Successful Bid is provided in the Confidential Supplement.
25. The Trustee submits that the Sale Process has been a fair and open process, that there has been no unfairness in the Sale Process and that the efforts taken by the Trustee to generate offers for the assets thoroughly tested the market and obtained the best possible realizable price for the Sale Properties in the circumstances.
26. The Trustee advises that the sale of the Sale Properties contemplated by the Successful Bid would be more beneficial for the creditors of Direct Oil than if the Properties were disclaimed to the Orphan Well Association and left for Alberta taxpayers to remediate.
27. The Trustee advises that the purchase price for the Sale Properties represents confidential information and the disclosure of which could impact any subsequent marketing process that may have to be undertaken by the Trustee should the transaction contemplated by the Successful Bid not close as contemplated.
28. The Trustee submits that it is necessary and appropriate to seal the Confidential Supplement on the Court record until the transaction contemplated by the Successful Bid closes or further order of this Honourable Court directs the release of that information, and that there are no reasonable alternatives to this which would be less restrictive.
29. Based on the foregoing, the Trustee respectfully recommends that this Honourable Court grant an Order:
 - (a) Approving the Blue Sky APA, including vesting title to the Sale Properties in Blue Sky as at closing, free and clear of all items, charges, security interests and other encumbrances (subject only to permitted encumbrances); and
 - (b) Approving the sealing of the Confidential Supplement.

Direct Oil & Gas Inc – In Bankruptcy
Trustee's First Report to Court

All of which is respectfully submitted this 10th of August 2020

MNP Ltd. in its sole capacity as Trustee of the
Estate of Direct Oil & Gas Inc., a bankrupt and not
in its personal capacity.

Per:



Victor P. Kroeger, CPA, CA, CIRP, LIT, CFE
Senior Vice President

APPENDIX A

Sayer Energy Advisor Engagement Agreement



March 6, 2020

MNP Ltd.

In its capacity as Trustee of the bankrupt estate of Direct Oil & Gas Inc. and not in its Personal capacity

1500, 640 – 5th Avenue SW
Calgary, Alberta T2P 3G4

Attention: **Mr. Rick Anderson, CPA, CMA, CFE**
Manager, Corporate Recovery and Restructuring

Dear Rick:

RE: **Direct Oil & Gas Inc.**
Insolvency Sale
Engagement Agreement

We understand that MNP Ltd. in its capacity as Trustee (the "Trustee") of the bankrupt estate of Direct Oil & Gas Inc. ("Direct") and not in its personal or corporate capacity) wishes to retain Sayer Energy Advisors ("Sayer", "we" or "us") to act as exclusive financial advisor and agent with respect to the sale in whole or in part (the "Transaction(s)") of all of the oil and natural gas assets in western Canada (the "Properties") of Direct as further described in the information brochure mailed out by Sayer as part of this engagement. The purpose of this letter is to outline the services to be performed by Sayer in this regard, and the basis of its compensation.

Sayer will provide assistance to the Trustee in:

- a) reviewing, compiling and analyzing all available information regarding the Properties and assist with preparing an information summary and an informal evaluation summary for public distribution;
- b) identifying and contacting parties that might have an interest in acquiring the Properties (the "Candidates");
- c) coordinating the execution of confidentiality agreements between the Trustee and potential Candidates;
- d) providing information on the Properties to the Candidates;
- e) providing information on the Candidates to the Trustee;
- f) dealing with inquiries from Candidates and negotiating the Transaction(s);
- g) evaluating offers submitted to the Trustee with respect to the Transaction(s);
- h) presenting or discussing the proposed sale of the Properties with the Trustee; and/or
- i) assisting in the closing of the Transaction(s).

We agree to act as the Trustee's financial advisor and agent with respect to the sale of the Properties and will use our best efforts to accomplish the Transaction(s) on terms favourable to the Trustee. Throughout this process, Sayer will keep the Trustee fully informed of its activities on the Trustee's behalf through written and/or verbal reports, and the Trustee will keep Sayer fully informed regarding its contacts with Candidates.



The Trustee will provide Sayer with such available information as it may reasonably require to fulfill this assignment. Both parties agree that, during the continuance of the mandate of Sayer, they will treat all documents and information relating to this assignment as strictly confidential. This agreement may under no circumstances be transferred or assigned by the Trustee or Sayer. It is understood that the Trustee is under no obligation or duty to complete any Transaction(s). It is further understood that Sayer provides financial advice and conducts merger and acquisition services for clients other than the Trustee and shall continue to provide these services to other parties, provided they do not conflict with the mandate accepted pursuant to this agreement.

The term of this agreement shall commence on March 6, 2020 and continue until August 31, 2020 subject to extension thereafter by written agreement of the parties hereto.

The Trustee agrees to pay Sayer a work fee of [REDACTED] plus Goods and Services Tax ("GST") ("Work Fee") payable by March 31, 2020. The Work Fee includes all costs associated with this engagement, including all printing and mailing costs, with the exception of the costs specified later in this agreement. The Work Fee is in addition to the success fee defined below.

Upon closing of the Transaction(s), the Trustee agrees to pay Sayer a success fee of [REDACTED] [REDACTED] of the value received by the Trustee as a result of the Transaction(s) (the "Success Fee"), with a minimum Success Fee of \$ [REDACTED]

The Success Fee is to be paid if any Transaction(s) are closed within the term of this agreement or if any Transaction(s) are closed within twelve (12) months following the term of this agreement. The Success Fee is to be calculated as a percentage of the value received by the Trustee for the Transaction(s), and is to be based on the fair market value of the consideration paid (the "Value").

For greater certainty, the Value is to be defined as the cash price to be paid to the Trustee as a result of the Transaction(s), and/or the value of the securities or properties offered to the Trustee as a result of the Transaction(s), based on, in the case of a publicly traded company, the weighted average closing market price of such securities for the 20 trading days prior to acceptance of the proposal. With respect to other forms of consideration accepted in the Transaction(s), the Value shall be the fair market value of the consideration received by the Trustee for the Transaction(s). Sayer will receive a copy of the closing documentation of the Transaction(s) and will have the right to cause an audit to be made of the books of account and records kept by the Trustee for the calculation of the Success Fee, with the cost of such audit to be borne by Sayer.

The Trustee agrees to pay all third party charges relating to use of a seismic work station to present the Trustee's seismic to prospective purchasers, if applicable. The Trustee also agrees to reimburse Sayer for all its legal expenses and out-of-pocket costs incurred in carrying out this assignment, with such costs amounting to more than \$500 to be subject to the Trustee's prior approval. We do not anticipate incurring any additional expenses in carrying out this assignment.

The Trustee shall indemnify, defend and hold harmless Sayer from and against all losses, claims, expenses, demands, suits, and liabilities of any kind whatsoever from any third party to the extent that they arise from or relate to the performance of this agreement except for third party claims arising from or relating to Sayer's fraud, gross negligence, wilful misconduct or material breach of the terms of this agreement, provided that such indemnification shall be paid solely from the Direct estate and does not exceed the amount for which the Trustee may obtain full indemnity from the estate.

If we perform other services for the Trustee in connection with this engagement (other than those specifically contemplated hereunder), it is agreed that we will be able to negotiate additional fees on mutually satisfactory terms on a specific service basis, depending on the nature of the services

to be provided. Such other services will be agreed to in a separate letter agreement between the parties.

GST will be in addition to all other charges.

We will have the right to publicize our role in the Transaction(s), such publicity being subject to the Trustee's prior approval.

Notices shall be served to the parties at their respective addresses given in this agreement, shall be sent by prepaid registered mail and shall be deemed to be received by the addressees on the third business day thereafter. Notices may also be given by facsimile and shall be deemed to be received upon confirmation of receipt.

This agreement and the relationship between the parties hereto shall be construed and determined according to the laws of the Province of Alberta and each party hereto does attorn to the jurisdiction of the courts of the Province of Alberta with respect to any matter arising out of this agreement.

If the foregoing accurately sets forth the terms of our agreement, please acknowledge your acceptance by signing the enclosed duplicate of this letter where indicated and return the same to us.

Sincerely,

SAYER ENERGY ADVISORS
A division of Sayer Securities Limited



Tom Pavic, CFA
President

AGREED TO AND ACCEPTED THIS ___ DAY OF MARCH 2020

MNP Ltd, in its capacity as Trustee of the bankrupt estate of Direct Oil & Gas Inc. and not in its personal capacity



~~Rick Anderson, CPA, CMA, CFE~~
~~Manager, Corporate Recovery and Restructuring~~

Victor P. Kroeger
Senior Vice President

APPENDIX B
Sayer Marketing Brochure

**Bankruptcy Sale:
Peace River Arch, Alberta
477 boe/d (2.1 MMcf/d, 130 bbl/d)**



On February 28, 2020, **MNP Ltd.** (the “Trustee”) was appointed as the Trustee of the bankrupt estate of **Direct Oil & Gas Inc.** (“Direct” or the “Company”). The Trustee has engaged **Sayer Energy Advisors** to assist the Trustee with the sale of all of Direct’s oil and natural gas properties.

The Company’s assets are concentrated in the northern part of the Peace River Arch in Alberta. The assets include interests in the *Cecil, Dixonville, Eureka, Habay, Charlie, Beaton, Worsley, Notikewin, Hotchkiss, Lovet, Vista, Cranberry,* and *Chinchaga/Hamburg* areas (the “Properties”).

Recent production net to the Company has averaged approximately 477 boe/d (130 barrels of oil per day and 2.1 MMcf/d of natural gas). Direct operates most of its production, which is mainly long-life with low decline.

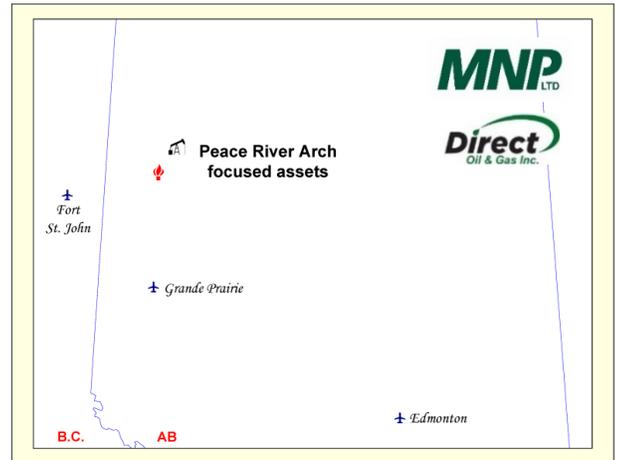
Effective March 16, 2020, all production from the Properties was shut-in.

The Company’s operating income in November 2019 was approximately \$215,000, or \$2.6 million on an annualized basis.

Direct’s LMR as of February 1, 2020 was 1.15, with deemed assets of \$19.8 million and deemed liabilities of \$17.2 million.

PROCESS & TIMELINE

Sayer Energy Advisors is accepting offers relating to this process until **12:00 pm on Thursday, April 23, 2020**. All offers received at the bid deadline will be reviewed by the Trustee and the most acceptable offer(s) may be accepted by the Trustee, subject to Court approval. The Properties are being sold on an “as-is, where-is” basis and will also be subject to Alberta Energy Regulator well license transfer approval where applicable.



Timeline	
Week of March 23, 2020	Preliminary Information Distributed
March 30, 2020	Data Room Opens
April 23, 2020	12:00 noon Bid Deadline
May 1, 2020	Effective Date
May 2020	Closing Date

Sayer Energy Advisors does not conduct a “second-round” bidding process; the intention is to attempt to conclude transactions with the parties submitting the most acceptable proposals at the conclusion of the process.

Sayer Energy Advisors is accepting offers from interested parties until noon on Thursday, April 23, 2020.

Production & Reserves Overview

Recent production net to the Company has averaged approximately 477 boe/d (130 barrels of oil per day and 2.1 MMcf/d of natural gas). Effective March 16, 2020, all production from the Properties was shut-in.

The Company's operating income in November 2019 was approximately \$215,000, or \$2.6 million on an annualized basis.

PROPERTY	COMPANY INTEREST RESERVES (Proved plus Probable)					RECENT PRODUCTION (November 2019)				NOI
	Oil Mbbl	Nat. Gas MMcf	Ngl Mbbl	Total Mboe	PV 10% \$000	Oil bbl/d	Ngl bbl/d	Nat. Gas Mcf/d	Total boe/d	Nov. 2019
Charlie	1,227	5,857	0	2,203	\$27,400	74	0	581	171	\$104,000
Cecil	351	441	0	425	\$11,132	48	0	50	57	\$68,600
Habay	638	2,606	0	1,072	\$17,359	0	0	48	8	-\$2,800
Hotchkiss	0	9,889	0	1,648	\$6,246	0	0	561	93	\$29,400
Lovet	0	2,922	0	487	\$1,167	-	-	-	-	-
Vista	0	4,031	7	679	\$3,639	-	-	-	-	-
Notikewin	0	2,666	1	446	\$886	0	0	178	30	-\$7,200
Chinchaga/Hamburg	0	2,123	35	390	\$955	0	0	472	79	\$11,600
Eureka	6	103	0	23	\$75	8	0	12	10	\$13,100
Cranberry	0	235	33	73	\$229	-	-	-	-	-
Dixonville	0	3,974	0	662	\$2,854	0	0	178	30	-\$1,700
TOTAL	2,222	34,847	76	8,108	\$71,942	130	0	2,079	477	\$215,000

The Company prepared an internal reserves evaluation of the Properties as part of the Company's year-end reporting (the "Internal Report"), using management's best efforts, in accordance with the Canadian Oil and Gas Handbook and National Instrument 51-101 guidelines. The Internal Report was effective January 1, 2019 using *GLJ Petroleum Consultants Ltd.* January 1, 2019 forecast pricing.

Subsequent to preparation of the Internal Report the Company sold a portion of its interests in the *Worsley* area of Alberta and the following reserves totals have been adjusted accordingly.

The Company estimated that, as of January 1, 2019, the Properties contained remaining proved plus probable reserves of 2.3 million barrels of oil and natural gas liquids and 34.8 Bcf of natural gas (8.1 million boe), with an estimated net present value of \$71.9 million using forecast pricing at a 10% discount. The value of the Company's proved developed producing reserves was estimated to be approximately \$23.4 million using forecast pricing at a 10% discount.

Direct Oil & Gas Inc. as of January 1, 2019							
	COMPANY GROSS RESERVES				PV BEFORE TAX		
	Oil Mbbl	Natural Gas MMcf	Ngl Mbbl	Total MBOE	5%	10%	15%
Proved Developed Producing	606	18,288	41	3,695	\$30,156	\$23,390	\$18,991
Proved Non-Producing/Undeveloped	588	5,743	22	1,567	\$26,360	\$18,935	\$14,378
Total Proved	1,194	24,030	63	5,262	\$56,516	\$42,325	\$33,369
Probable	1,029	10,817	14	2,845	\$45,561	\$29,617	\$21,392
Total Proved Plus Probable	2,223	34,847	77	8,107	\$102,077	\$71,942	\$54,761

The reserve estimates and forecasts of production and revenues for the Company's properties were prepared within the context of the Company's year-end evaluation, which was an evaluation of all of the Company's properties in aggregate. Extraction and use of any individual property evaluation outside of this context may not be appropriate without supplementary due diligence. Values in the "Total" row may not correspond to the total of the values presented due to rounding.



Cecil Property

Township 84-85, Range 8 W6

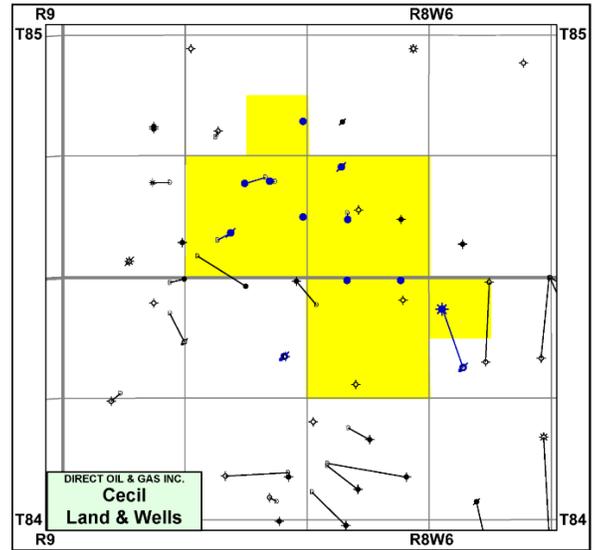
Direct operates a Halfway/Doig oil property in the *Cecil* area. Recent production net to Direct from *Cecil* has averaged approximately 57 boe/d (48 barrels of oil per day and 50 Mcf/d of natural gas). The Company's net operating income from *Cecil* in November 2019 was approximately \$68,600 or \$823,200 on an annualized basis.

Direct holds an average 57% working interest in 2,240 acres (1,277 net acres) of land at *Cecil*, and it holds an average 48% working interest in its operated production.

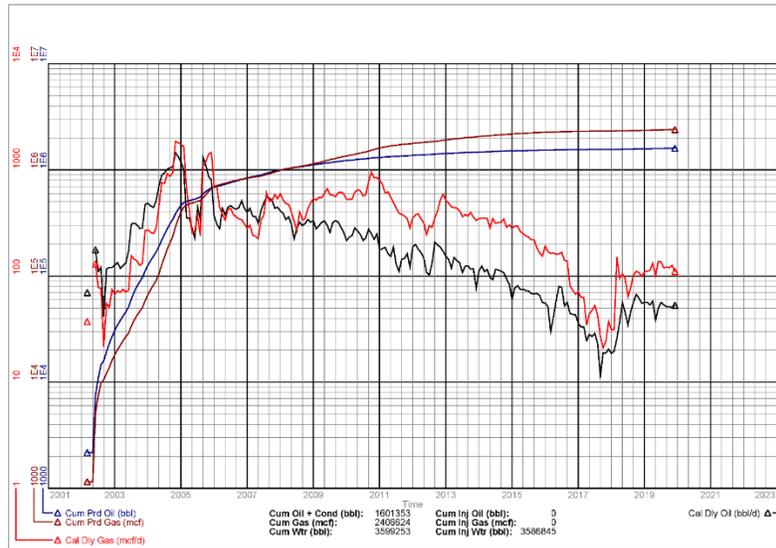
The Company has identified potential to significantly increase its production at *Cecil* by drilling up to five development horizontal oil wells. Most of the upside is in the Doig Formation, as the OOIP reserves in the Doig (11.5 million barrels) are significantly higher than the Halfway (7.9 million barrels) and the recovery from the Doig to date (12.7%) is significantly lower than the recovery from the Halfway (21.5%).

Production at *Cecil* is from the Triassic Halfway–Doig formations. The Doig is interpreted as being deposited as offshore shelf shales, silts and sands.

The Halfway Formation is interpreted as having been deposited as a prograded barrier-tidal inlet of sandy dolomitic coquinas. The Halfway contributes the largest percentage of the production at *Cecil* due to the presence of coquina which enhances reservoir porosity.



Cecil, Alberta – Group Plot of Direct’s Oil & Natural Gas Wells



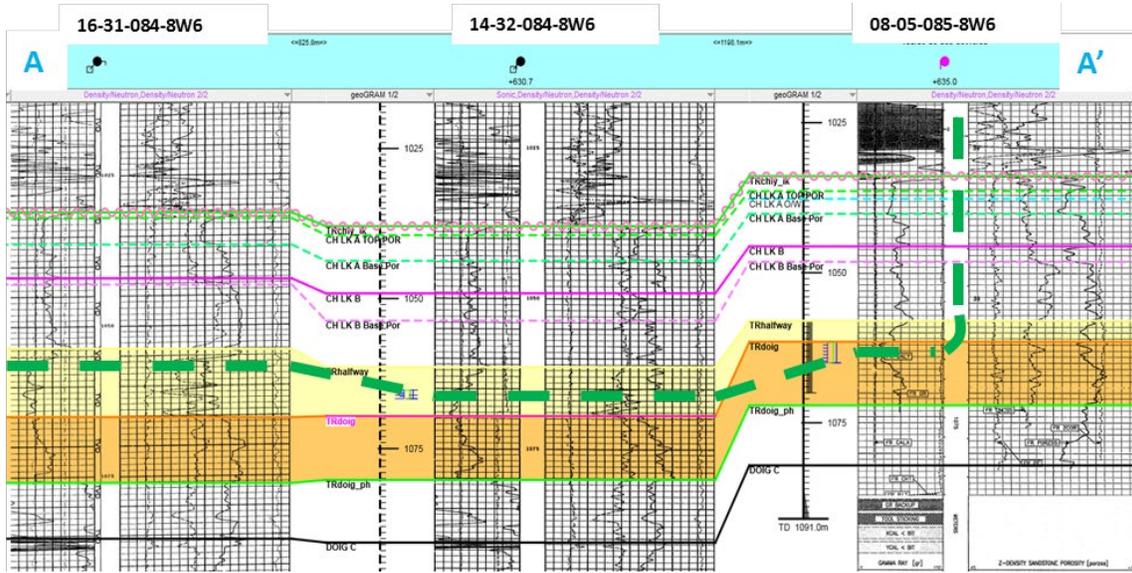
Cecil LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$2,636,064	\$1,546,011	\$1,090,053	1.71



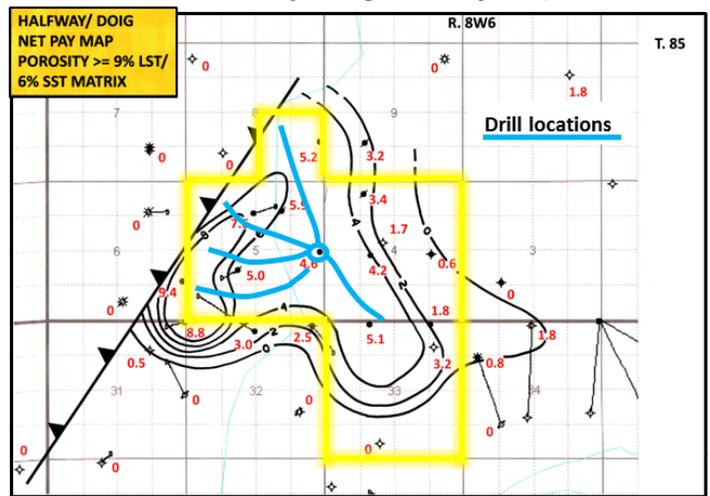
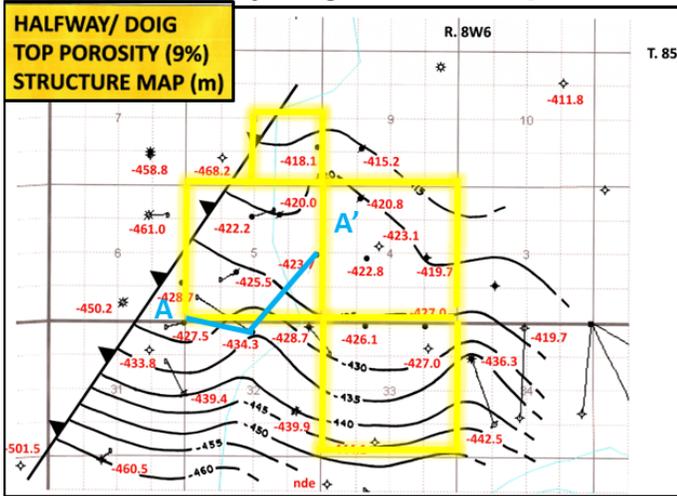


Cecil Cross-Section A-A'



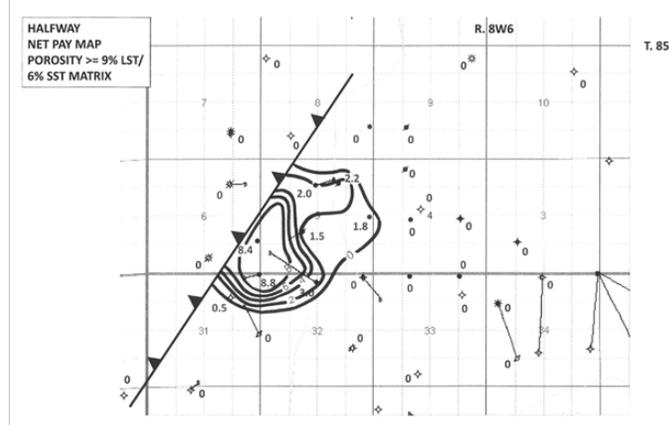
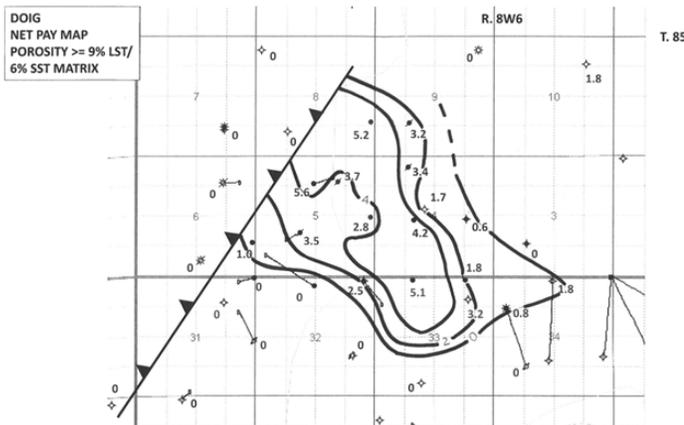
Halfway/Doig Structure Map

Halfway/Doig Net Pay Map



Doig Net Pay Map

Halfway Net Pay Map

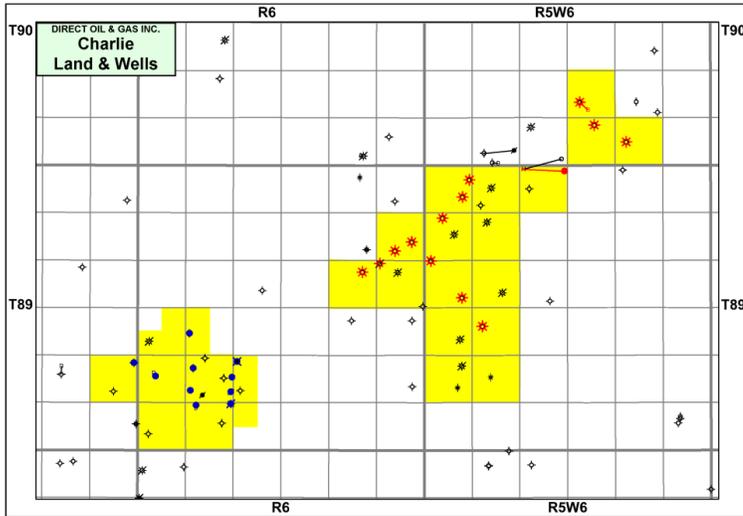




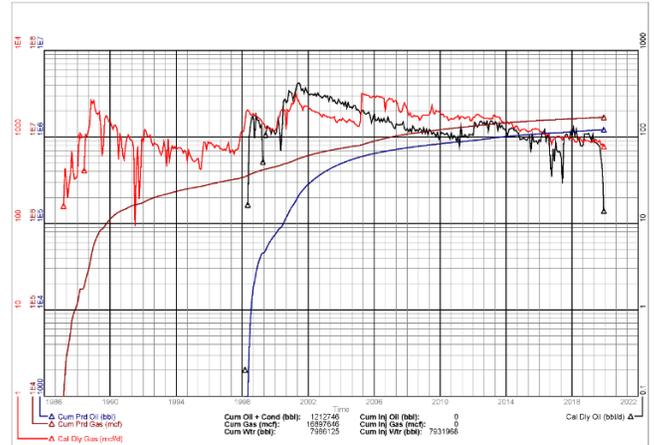
Charlie Property

Township 89-90, Range 5-7 W6

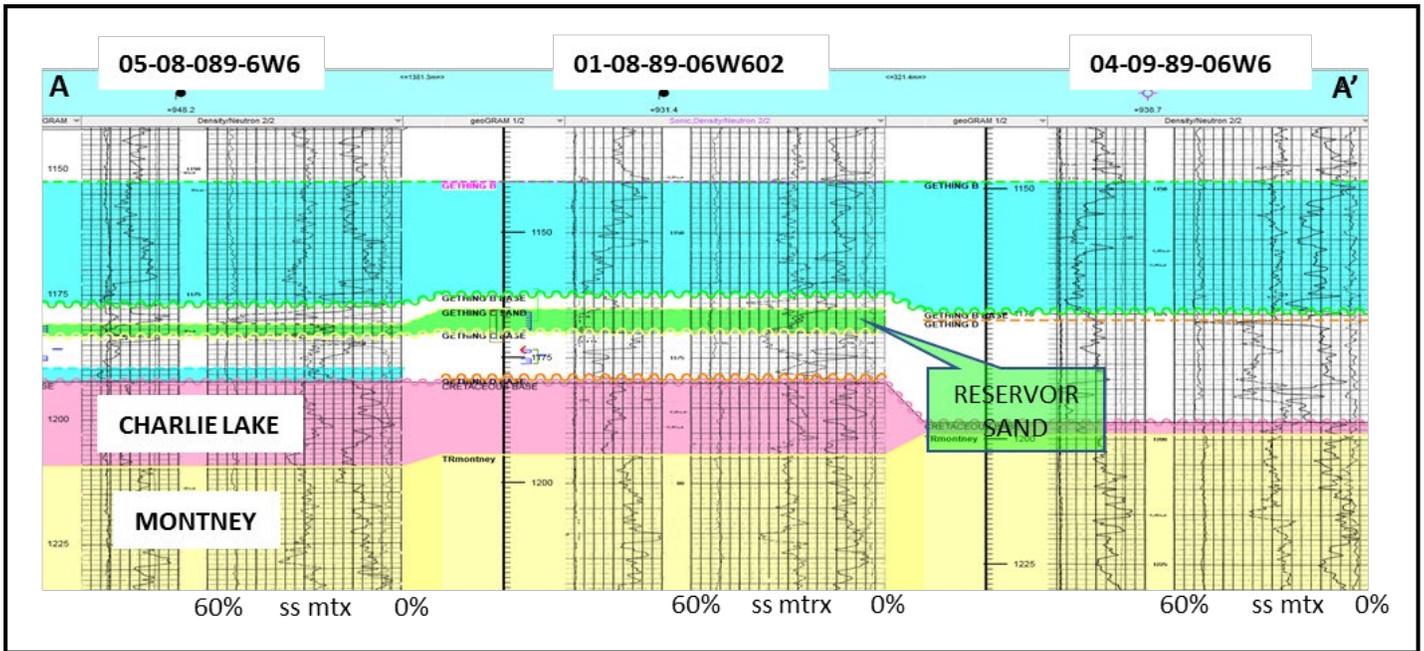
Recent production from *Charlie* was approximately 171 boe/d (581 Mcf/d of natural gas and 74 barrels of oil per day) from the Company's Gething and Montney oil and natural gas wells. The Company's net operating income from *Charlie* in November 2019 was approximately \$104,000 or \$1.2 million on an annualized basis.



Charlie, Alberta – Group Plot of Direct's Gething and Montney Oil & Natural Gas Wells



Charlie Gething Cross-Section



Charlie LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$6,679,529	\$2,640,572	\$4,038,957	2.53



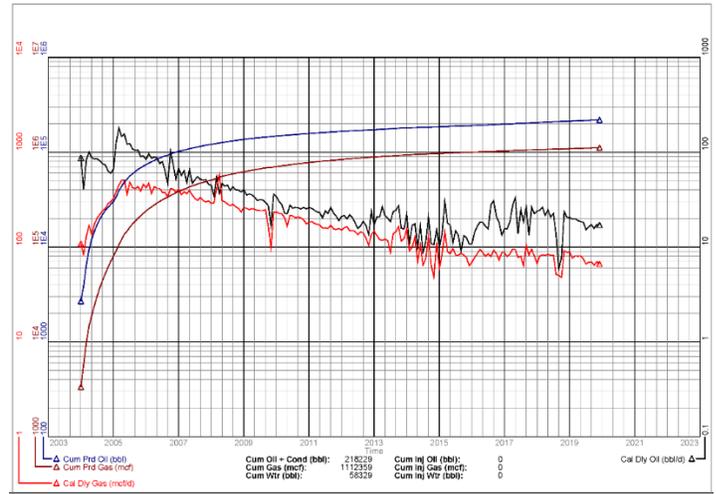
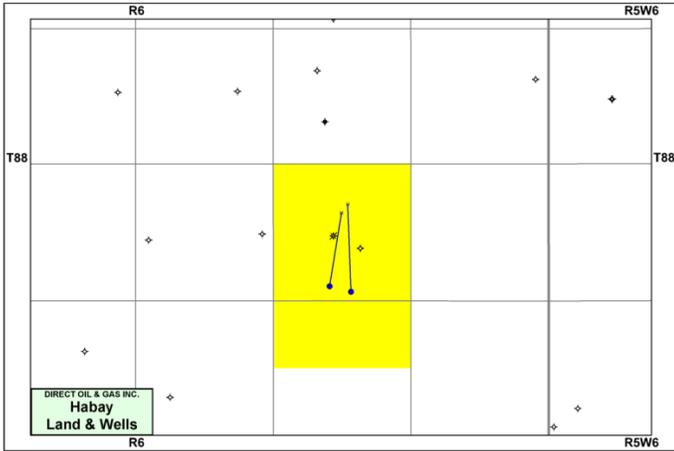


Habay Property

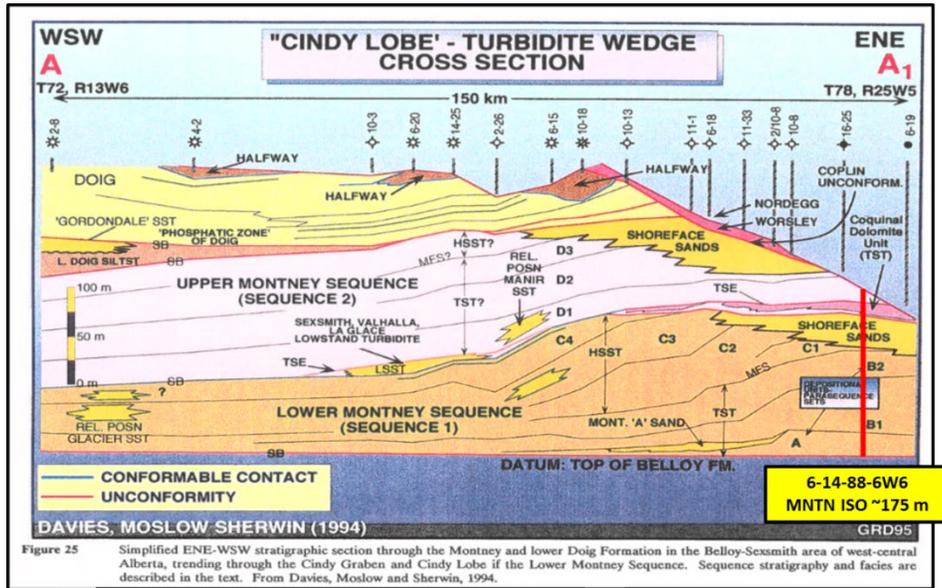
Township 88, Range 6 W6

At *Habay*, recent production net to the Company was approximately eight boe/d (48 Mcf/d of natural gas) from two horizontal Montney oil and natural gas wells. Oil production from *Habay* is sold at *Charlie*. The Company has identified significant potential to increase its production and reserves through exploiting this conventional Montney prospect that underlies its land.

Habay, Alberta – Group Plot of Direct’s Montney Oil & Natural Gas Wells



Direct’s land at *Habay* is underlain by a turbidite wedge in the Montney Formation. This wedge is characterized by a thick section of Montney reservoir, similar in character to the Montney encountered in offsetting pools operated by *Venturion Oil Limited* and *Canadian Natural Resources Limited*.



Habay LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$1,029,308	\$357,736	\$671,572	2.88





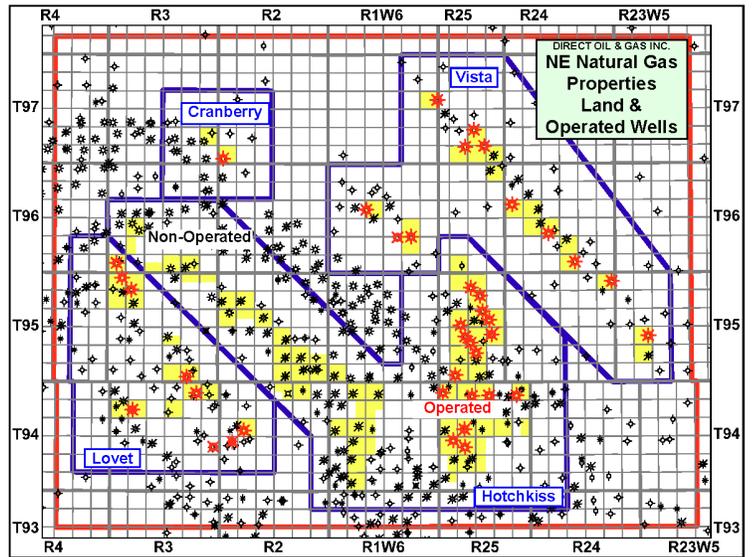
Northeastern Natural Gas Properties

Township 94-97, Range 23 W5 – 3W6

Direct operates four shallow natural gas properties in the *Hotchkiss/Lovet/Vista/Cranberry* areas.

Total production capability from the properties, which are individually described in the offsetting area map, is as follows:

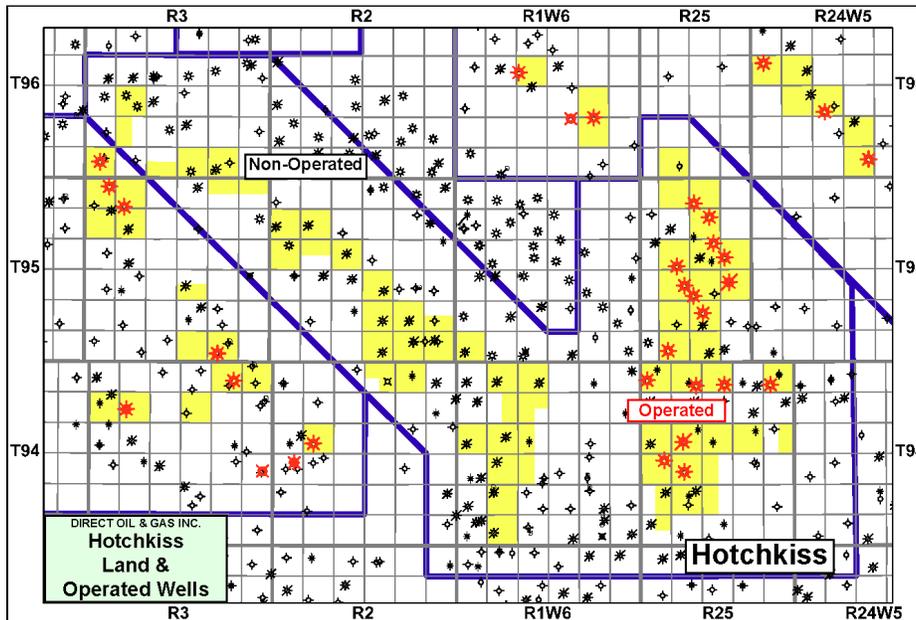
Property	Production Capability	
	Mcf/d	boe/d
Hotchkiss (operated)	999	167
Hotchkiss (non-operated)	174	29
Lovet	560	93
Vista	648	108
Cranberry	62	13
TOTAL	2,443	410



Hotchkiss Property

Township 94-96, Range 25 W5

Direct has operated and non-operated interests at *Hotchkiss*. The Company's recent natural gas production from *Hotchkiss* has averaged approximately 561 Mcf/d (93 boe/d). The property has a very long proved developed producing reserve life of approximately 14 years.



Hotchkiss LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$2,818,618	\$1,751,936	\$1,066,682	1.61

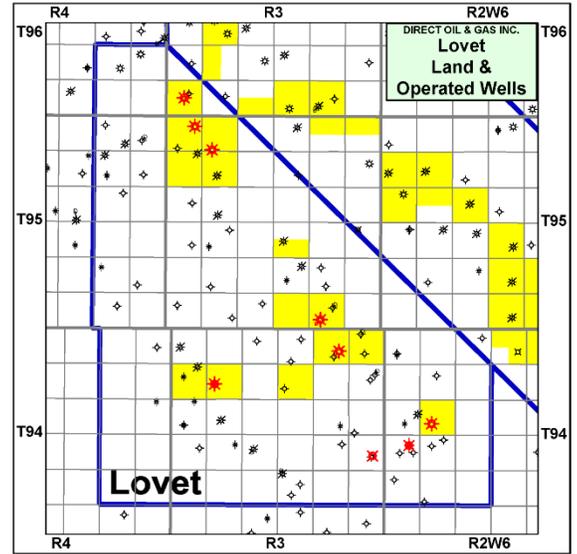




Lovet Property

Prior to being shut-in, natural gas production capability from Lovet was approximately 560 Mcf/d from a number of Lower Debolt natural gas wells. Most of the production comes from the well 100/03-02-095-03W6/0 (Direct W.I. 100%).

Township 94-96, Range 1-3 W6



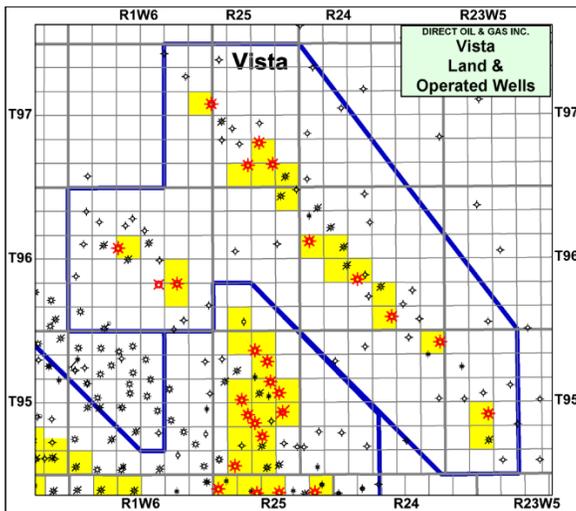
Lovet LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$1,568,612	\$2,152,157	(\$583,545)	0.73

Vista Property

Township 95-97, Range 23 W5 - 1W6

Direct operates a Mississippian natural gas property at Vista. Natural gas production capability from the property is approximately 648 Mcf/d.



Vista LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$1,780,296	\$2,272,759	(\$492,463)	0.78

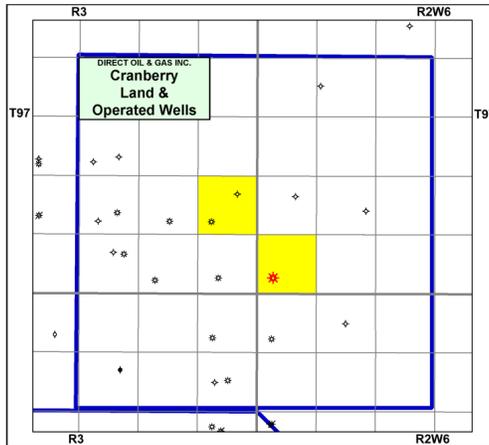




Cranberry Property

Township 97, Range 2-3 W6

Direct operates one Slave Point natural gas well at *Cranberry*.



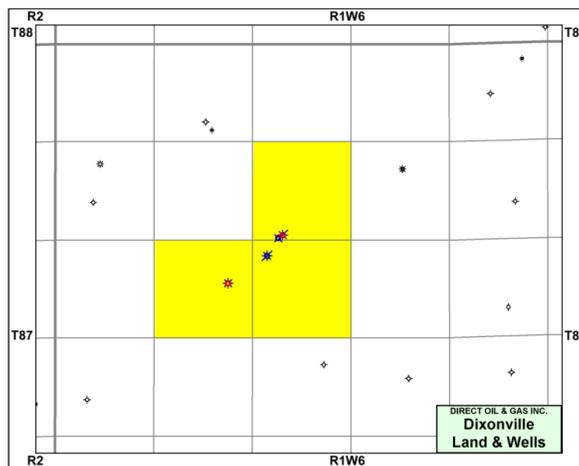
Cranberry LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$0	\$105,019	(\$105,019)	0.00

Dixonville Property

Township 87, Range 1 W6

At *Dixonville*, the Company has interests in two Mannville natural gas wells. Recent production net to the Company was approximately 178 Mcf/d (30 boe/d) from *Dixonville*.



Dixonville LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$379,739	\$1,049,560	(\$669,821)	0.36

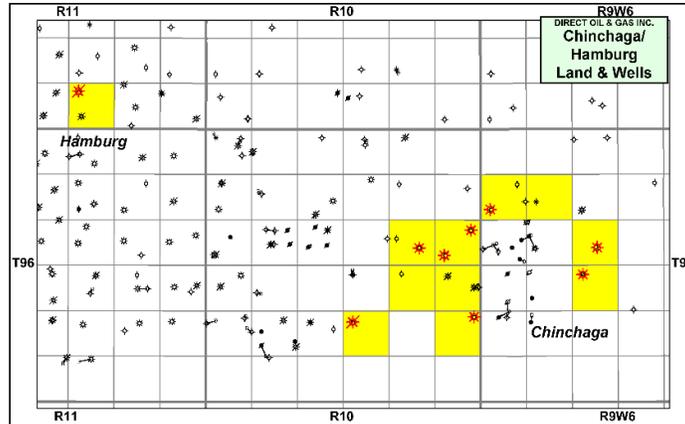




Chinchaga/Hamburg Property

Township 96-97, Range 9-11 W6

Recent production net to the Company was approximately 67 boe/d (390 Mcf/d of natural gas, two bbl/d of natural gas liquids) from its interests in *Chinchaga*. There is no recent production from the offsetting *Hamburg* property.



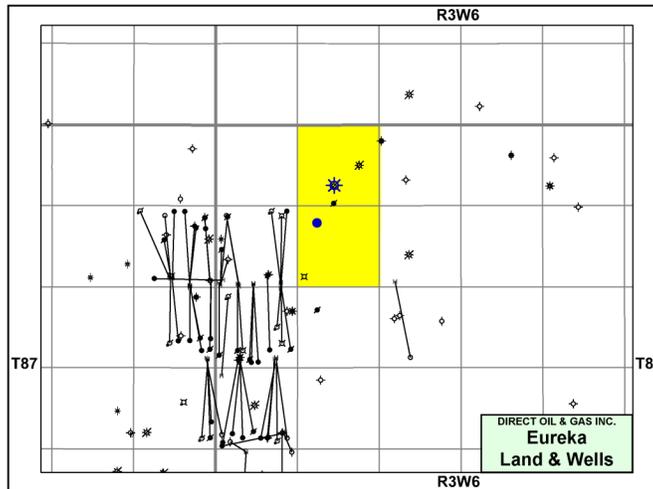
Chinchaga/Hamburg LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$1,255,566	\$1,158,450	\$97,116	1.08

Eureka Property

Township 87, Range 3 W6

Recent production net to the Company was approximately 10 boe/d (eight barrels of oil per day and 12 Mcf/d of natural gas) from one Leduc oil well and one Gething natural gas well at *Eureka*. The Company's net operating income from *Eureka* in November 2019 was approximately \$13,100, or \$157,200 on an annualized basis.



Eureka LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$279,241	\$1,053,067	(\$773,826)	0.27



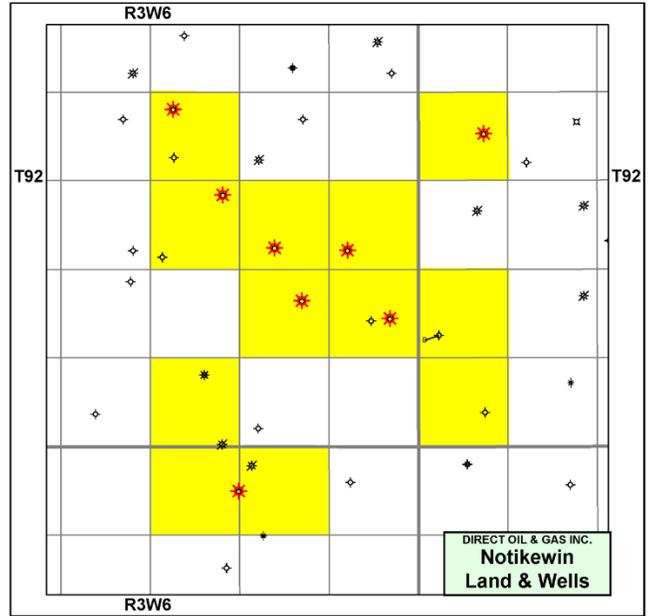
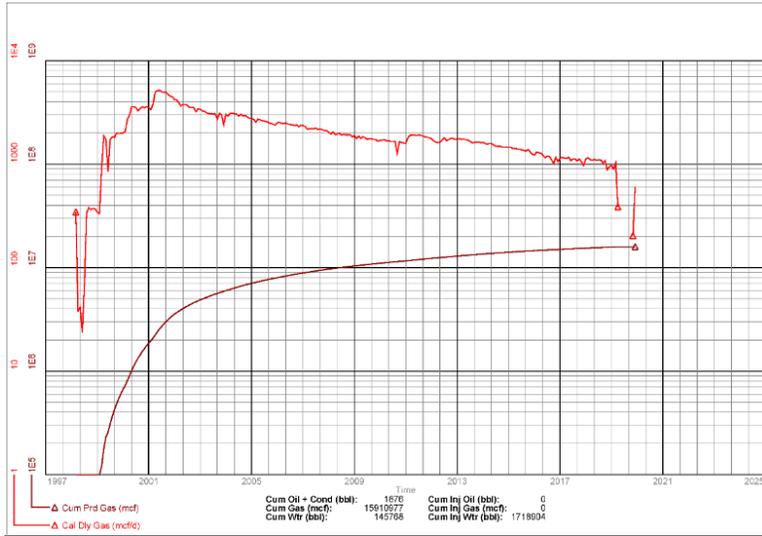


Notikewin Property

Township 91-92, Range 2-3 W6

Recent production net to the Company was approximately 178 Mcf/d from eight shallow Mannville natural gas wells at *Notikewin*.

Notikewin, Alberta
Group Plot of Direct's Natural Gas Wells



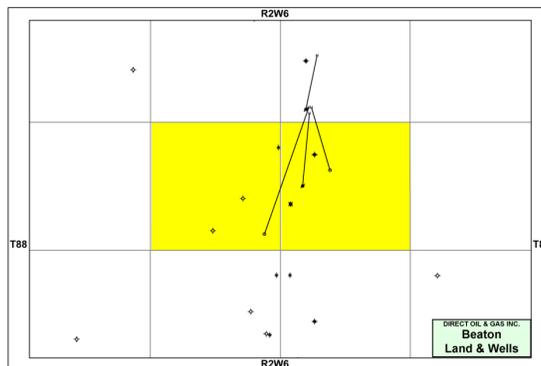
Notikewin LMR as of February 1, 2020

Deemed Asset Amount	Deemed Liability Amount	Net Asset Amount	LMR Ratio
\$1,346,187	\$1,620,623	(\$274,436)	0.83

Beaton Property

Township 88, Range 2 W6

Direct holds a royalty interest in a non-producing property at *Beaton*.



Worsley Property

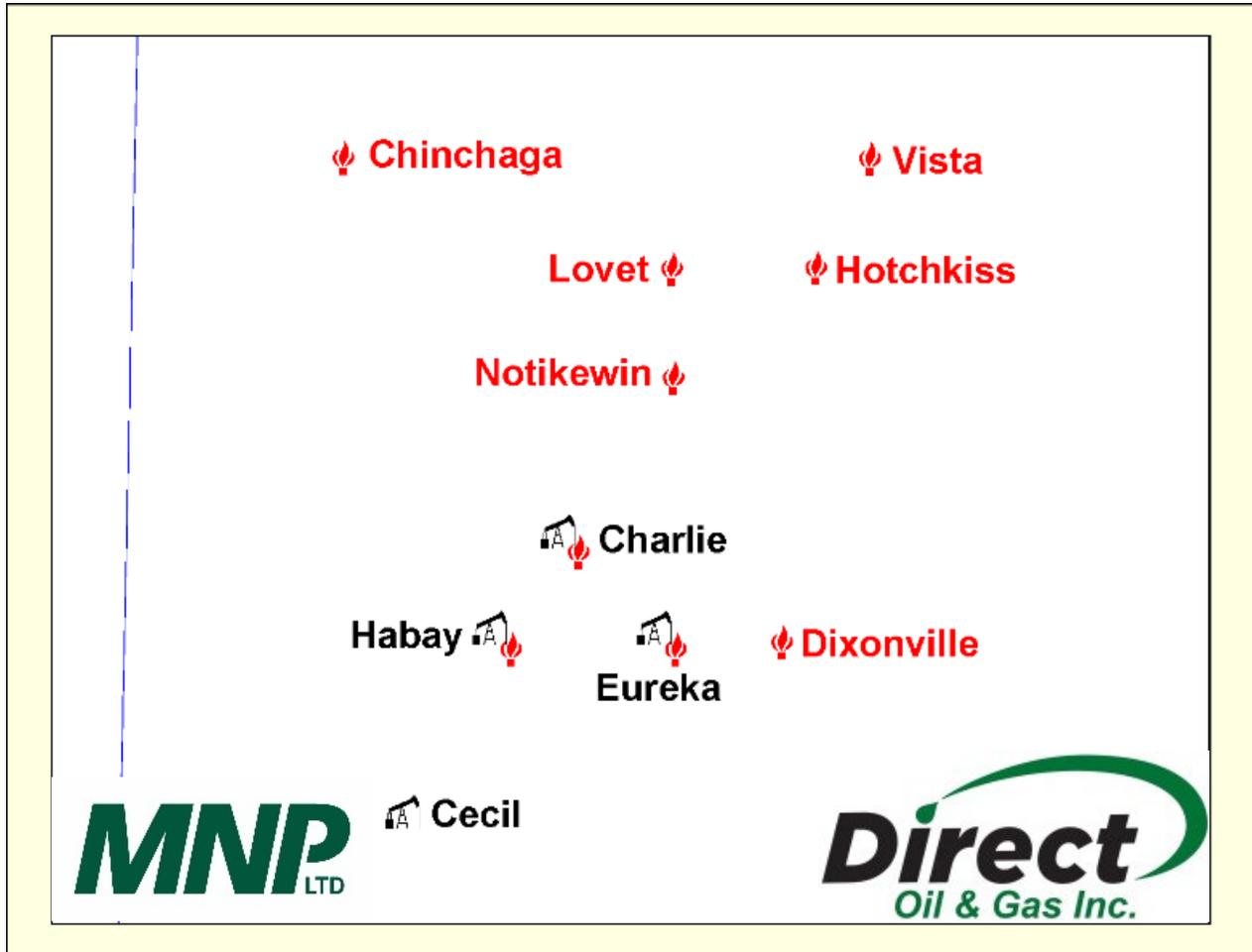
Township 87, Range 7 W6

At *Worsley*, The Company has a 100% working interest in its natural gas processing facility.





MNP Ltd. Direct Oil & Gas Inc. Bankruptcy Sale Spring 2020



CONTACT

Parties wishing to receive a Confidential Information Binder with detailed technical information relating to this opportunity should execute the Confidentiality Agreement which is available on Sayer Energy Advisors' website (www.sayeradvisors.com) and return one copy to Sayer Energy Advisors by courier, email (tpavic@sayeradvisors.com) or fax (403.266.4467).

Included in the Confidential Information Binder is the following: summary land information, the Internal Report, most recent net operations summary, LMR information, geological mapping and other relevant technical information.

To receive further information on the Properties please contact Tom Pavic, Ben Rye or Grazina Palmer at 403.266.6133.



APPENDIX C

Redacted Blue Sky Resources Ltd. Asset Purchase Agreement

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of the 17th day of June, 2020

BETWEEN:

MNP LTD. ("MNP"), solely in its capacity as the trustee in bankruptcy of **DIRECT OIL & GAS LTD.**, and not in its personal or corporate capacity (the "Vendor")

- and -

BLUE SKY RESOURCES LTD., a corporation incorporated under the laws of the Province of Alberta (the "Purchaser")

WHEREAS Direct Oil & Gas Ltd. ("**Direct**") made an assignment of all of its property for the general benefit of its creditors under section 49 of the *Bankruptcy and Insolvency Act* (the "**BIA**") on February 28, 2020 and MNP was appointed as trustee in bankruptcy of Direct;

AND WHEREAS the Vendor wishes to sell, and the Purchaser wishes to purchase, all of the interest of Vendor in and to the Assets, subject to and in accordance with the terms and conditions hereof.

NOW THEREFORE, THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations to:
- (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other facilities located 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 Wells and the Tangibles and any lands used to gain access thereto, including such obligations relating to wells, pipelines and facilities which were abandoned or decommissioned prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

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

- (b) “**AER**” means the Alberta Energy Regulator;
- (c) “**Affiliate**” means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with that specified Person. For the purposes of this definition, “control” (including with correlative meanings, controlling, controlled by and under common control with) means the power to direct or cause the direction of the management and policies of that Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and, it being understood and agreed that with respect to a corporation or partnership, control shall mean direct or indirect ownership of more than 50% of the voting shares in any such corporation or of the general partnership interest or voting interest in any such partnership;
- (d) “**Applicable Law**” means, in relation to any person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, license or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Assets**” is defined in section 2.1;
- (f) “**BIA**” is defined in the Recitals of this Agreement;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Closing**” means the transfer of possession, of the right, title and interest of Vendor and Direct and risks of the Assets from the Vendor to the Purchaser, the exchange of the General Conveyance and Specific Conveyances and payment of the Purchase Price by the Purchaser to the Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto;
- (i) “**Closing Date**” means 10:00 a.m. on the later of:
 - i. ●, 2020; or
 - ii. the day that is seven (7) Business Days after receipt of the Court Order; or
 - iii. such other time and date as may be agreed upon in writing by the Parties;provided, however, that the Closing Date shall not be later than the Outside Date,
- (j) “**Closing Place**” means the office of the Vendor, or such other place as may be agreed upon in writing by the Parties;
- (k) “**Contract**” means any agreement, contract, obligation, promise or undertaking to which Direct is party that is legally binding;
- (l) “**Court**” means the Court of Queen’s Bench of Alberta;
- (m) “**Court Order**” is defined in section 2.6;
- (n) “**Data Room Information**” means all information provided or made available to the Purchaser in hard copy or electronic form in relation to Direct and/or the Assets;

- (o) **"Date of Appointment"** means February 28, 2020;
- (p) **"Deposit"** has the meaning ascribed to that term in Section 2.5;
- (q) **"Direct"** is defined in the Recitals of this Agreement;
- (r) **"Directive 006"** means the AER Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process;
- (s) **"Directive 067"** means AER Directive 067: Licensee-eligibility Approval;
- (t) **"Effective Date"** means the Closing Date;
- (u) **"Environment"** means the components of the earth and 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);
- (v) **"Environmental Liabilities"** means all liabilities in respect of the environment which 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 dispersal 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 items (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;
- (w) **"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, including the Pipelines and those facilities identified in **Schedule "C"**;
- (x) **"General Conveyance"** means the form of general conveyance attached hereto as **Schedule "F"**;
- (y) **"GORRs"** means, collectively, any and all gross overriding royalties in which Direct has an interest, including the GORRs listed on **Schedule "B"**;
- (z) **"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, bureau, office, or department, including any government-owned entity, having jurisdiction over a Party, the Assets or the Transaction;
- (aa) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (bb) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder;

- (cc) “**Lands**” means the lands set out 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);
- (dd) “**Leases**” means, collectively, all leases, reservations, permits, licences, certificates of title or other documents of title (or any replacement thereof, renewal or extension thereof or leases derived therefrom) associated with or related to the Lands, including those documents of title set forth and described in **Schedule “A”**;
- (ee) “**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);
- (ff) “**Licences**” means permits, approvals, licences and authorizations granted by any applicable Governmental Authority in respect of any of the Licences;
- (gg) “**Licence Transfers**” means the transfer of Licences;
- (hh) “**LMR**” means the liability management rating under Directive 006;
- (ii) “**Losses**” means all losses, costs, claims, damages, expenses and liabilities which a Person 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, but shall include any liability for indirect or consequential damages including business loss, loss of profit, economic loss, punitive damages or income tax liabilities suffered, sustained, paid or incurred by a Third Party entitled to recovery or indemnification from a Person;
- (jj) “**Miscellaneous Interests**” means, subject to any and all limitations and exclusions provided for in this definition, the Vendor’s Interest in and to all property, assets, interests and rights pertaining 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 either of them, including any and all of the following:
 - (i) all Contracts relating to the Assets (including the Title Documents and GORRs);
 - (ii) all Surface Rights;
 - (iii) all records, books, documents, licences, reports and data which relate to the Petroleum and Natural Gas Rights, or either of them including any of the foregoing that pertain to proprietary seismic, geological or geophysical matters; and
 - (iv) the Wells, including the wellbores and any and all casing and down-hole monitoring and pumping equipment.

Notwithstanding the foregoing and anything to the contrary contained herein, unless otherwise agreed in writing by the Parties, the Miscellaneous Interests and any other Assets shall not include agreements, documents or data to the extent that: (i) they pertain to Direct’s proprietary technology; (ii) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Direct to an assignee, or (iii) they comprise the Vendor’s and Direct’s tax and financial records, and economic evaluations;

- (kk) "**Outside Date**" means October 30, **2020** or such other date as the Parties may agree;
- (ll) "**Outstanding ROFR Assets**" has the meaning set forth in Section 8.3(e)(ii);
- (mm) "**Outstanding ROFRs**" has the meaning set forth in Section 8.3(e);
- (nn) "**Party**" means a party to this Agreement, and "**Parties**" means both of them;
- (oo) "**Permitted Encumbrances**" means:
 - (i) all encumbrances, overriding royalties, net profits interests and other burdens identified in **Schedule "A"**;
 - (ii) any ROFR or any similar restriction applicable to any of the Assets;
 - (iii) the requirement to receive any consent applicable to the Transaction;
 - (iv) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;
 - (v) the terms and conditions of the Contracts relating to the Assets;
 - (vi) defects or irregularities of title as to which the relevant statute(s) of limitations or prescription would bar any attack or claim against Vendor's Interest;
 - (vii) the right reserved to or vested in any grantor, Governmental Authority or other public authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (viii) liens securing taxes not yet due and payable;
 - (ix) easements, right of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
 - (x) taxes on Petroleum Substances or the income or revenue therefrom, unless specifically excluded and governmental restrictions on production rates from the Wells or on operations being conducted on the Lands or otherwise affecting the value of any of the Assets;
 - (xi) any obligation of Direct or Vendor to hold any portion of its interest in and to any of the Assets in trust for Third Parties;
 - (xii) the right reserved to or vested in any municipality, Governmental Authority or other public authority to control or regulate any of the Assets in any manner, including any directives or notices received from any municipality, Governmental Authority or other public authority pertaining to the Assets;
 - (xiii) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Vendor's or Direct's share of the costs and expenses thereof which are

not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor and Vendor holds reasonable reserves in respect thereof to make such payments to the extent required;

- (xiv) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
- (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
- (xvi) liens granted in the ordinary course of business to a public utility, municipality or Governmental Authority with respect to operations pertaining to any of the Assets for which any required payments are not delinquent as of Closing, or if delinquent are being diligently contested by Vendor and Vendor holds reasonable reserves in respect thereof to make such payments to the extent required;
- (pp) "**Person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (qq) "**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"**;
- (rr) "**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 any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (ss) "**Pipelines**" means the pipelines listed in **Schedule "D"**;
- (tt) "**Prime Rate**" means the rate of interest, expressed as a rate per annum, designated by the main branch in Calgary of Bank of Montreal as the reference rate used by it to determine rates of interest charged by it on Canadian dollar commercial loans made in Canada and which is announced by such bank, from time to time, as its prime rate, provided that whenever such bank announces a change in such reference rate the "Prime Rate" shall correspondingly change effective on the date the change in such reference rate is effective;
- (uu) "**Representative**" means, with, respect to any Party, its Affiliates, and its and their respective directors, officers, servants, agents, advisors, employees and consultants;
- (vv) "**ROFR**" means a preferential, pre-emptive or first purchase right that becomes operative by virtue of this Agreement or the Transaction;
- (ww) "**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, and includes additions by way of penalties, interest and other amounts with respect thereto, including GST;
- (xx) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable to convey, assign and transfer the interest of Vendor in and to the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;

- (yy) **"Surface Rights"** means all rights to occupy, cross or otherwise use or enjoy the surface of the Lands and any lands pooled or unitized therewith or any other lands: (i) upon which the Tangibles are situate, (ii) used in connection with the ownership or operation of the Petroleum and Natural Gas Rights, the Tangibles or the Wells, or (iii) used to gain access to any of the Lands (or any lands pooled or unitized therewith);
- (zz) **"Tangibles"** means the Facilities and any and all other tangible depreciable property and assets, if any, which are located within, upon or in the vicinity of the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, store, transport, make marketable or inject the Leased Substances or any of them;
- (aaa) **"Third Party"** means any individual or entity other than Trustee, Direct, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (bbb) **"this Agreement"**, **"herein"**, **"hereto"**, **"hereof"** and similar expressions mean and refer to this Agreement;
- (ccc) **"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 (including the GORRs), participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements, unit agreements and any other documents and agreements granting, reserving or otherwise conferring rights to:
- (i) explore for, drill for, produce, take, use or market Petroleum Substances;
 - (ii) share in the production of Petroleum Substances; and
 - (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced,
- and any rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands; including those, if any, set out and described in **Schedule "A"**;
- (ddd) **"Transaction"** means the transaction for the purchase and sale of the Assets as contemplated by this Agreement;
- (eee) **"Vendor's Interest"** means all of the right, interest, title and estate of Direct and/or Vendor, whether absolute or contingent, legal or beneficial, present or future, vested or not and whether or not an interest in land; and
- (fff) **"Wells"** means the wells listed in **Schedule "E"**.

1.2 Headings

The expressions "Article", "section", "subsection", "clause", "subclause", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, clause, subclause, paragraph and schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only

and shall not affect the construction or interpretation of this Agreement.

1.4 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders. The word "including" or any variation thereof means "including, without limitation," and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

1.5 Schedules

There are appended to this Agreement the following schedules pertaining to the following matters:

Schedule "A"	-	Lands and Petroleum and Natural Gas Rights
Schedule "B"	-	GORRs
Schedule "C"	-	Facilities
Schedule "D"	-	Pipelines
Schedule "E"	-	Wells
Schedule "F"	-	General Conveyance
Schedule "G"	-	Form of Officer's Certificate
Schedule "H"	-	Form of Court Order

Such schedules are incorporated herein by reference as though contained in the body hereof.

1.6 Damages

All losses, costs, claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement include reasonable legal fees and disbursements on a solicitor and client basis.

1.7 Derivatives

Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.

1.8 Interpretation if Closing Does Not Occur

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

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any

Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

**ARTICLE 2
PURCHASE AND SALE AND CLOSING**

2.1 Purchase and Sale

Subject to and in accordance with the terms of this Agreement, Vendor, exercising the powers of sale granted pursuant to the Appointment Order, hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all of the Vendor's Interest in and to the following:

- (a) the Petroleum and Natural Gas Rights;
- (b) the Tangibles; and
- (c) the Miscellaneous Interests,

(collectively, the "Assets").

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Vendor's interest in and to the Assets shall be [REDACTED] (the "Purchase Price"), plus applicable Sales Taxes, which shall be paid to Vendor on Closing.

2.3 Allocation of Purchase Price

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

Petroleum and Natural Gas Rights	\$ [REDACTED]
Tangibles	\$ [REDACTED]
Miscellaneous Interests	\$ [REDACTED]
Total	\$ [REDACTED]

2.4 Assumption of Abandonment and Reclamation Obligations

In determining the Purchase Price, the Parties have taken into account the Purchaser's assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations associated with the Assets, as set forth in this Agreement, and the absolute release of Direct and Vendor of all and any responsibility or liability therefor.

2.5 Deposit and Satisfaction of Purchase Price

- (a) The Parties acknowledge that:
 - (i) on the date hereof, the Purchaser paid the sum of [REDACTED] Dollars (\$ [REDACTED]) (the "Deposit") to the Vendor;
 - (ii) the Deposit has been delivered to and shall be held in trust by the Vendor; and

- (iii) the Deposit shall be held and administered by the Vendor in accordance with the terms and conditions of this Agreement (including this Section 2.5).
- (b) At Closing, the Purchase Price shall be paid and satisfied as follows:
 - (i) as to the amount of the Deposit, the Vendor shall retain the amount of the Deposit and apply such amount against the amount of the Purchase Price; and
 - (ii) as to the balance of the Purchase Price, along with any additional amounts owing in respect of applicable GST, the Purchaser shall pay to the Vendor such amount by electronic wire transfer.
- (c) If this Agreement is terminated:
 - (i) (A) pursuant to Section 9.1(a) by mutual agreement of the Parties; (B) pursuant to Sections 9.1(b), 9.1(c) or 9.1(d) by the Purchaser; (C) pursuant to Section 9.1(f) by the Vendor; or (D) for any other reason other than as contemplated under Section 2.5(c)(ii); then the Deposit shall be returned to the Purchaser; or
 - (ii) pursuant to Section 9.1(e) by the Vendor, the full amount of the Deposit shall be forfeited to the Vendor,

and, subject to Section 9.2, each Party shall be released from all obligations and liabilities under or in connection with this Agreement.

- (d) If this Agreement is terminated under Section 2.5(c)(ii) pursuant to which the Vendor shall be entitled to retain the Deposit, the Parties agree that the amount of the Deposit, constitutes a genuine pre-estimate of liquidated damages representing the Vendor's Losses as a result of Closing not occurring and agree that the Vendor shall not be entitled to recover from the Purchaser any amounts that are in excess of the Deposit as a result of Closing not occurring. The Purchaser hereby waives any claim or defence that the amount of the Deposit is a penalty or is otherwise not a genuine pre estimate of the Vendor's damages.

2.6 Steps upon satisfaction of certain Conditions

As soon as reasonably practicable after the execution of this Agreement, Vendor shall apply to the Court to obtain an Order substantially in the form attached as **Schedule "H"** (the "**Court Order**"), on notice to all parties then known to be affected thereby, authorizing, approving and confirming this Agreement and the Transaction, and vesting the Vendor's Interest in the Assets in Purchaser, free and clear of all encumbrances, liens, security interests, mortgages, charges or claims, other than Permitted Encumbrances.

2.7 Licence Transfers

- (a) Following the execution of this Agreement, the Vendor shall prepare and electronically submit an application to the applicable Governmental Authority for approval of the Licence Transfers and the Purchaser shall, where applicable, electronically ratify and sign such application.
- (b) If a Governmental Authority denies a Licence Transfer because of a mis-description or other minor deficiencies in the application, the Vendor shall, within two (2) Business Days of such denial, correct the application and amend and re-submit the application for the Licence Transfer and the Purchaser shall, where applicable, electronically ratify and sign such application.

- (c) If an applicable Governmental Authority requires the Purchaser to furnish such Governmental Authority with:
- (i) any further evidence, documentation or any other information in connection with their review of the application for the Licence Transfers, the Purchaser shall comply with such request as soon as possible and in any event, within the time frame stipulated by the applicable Governmental Authority (including without limiting the generality of the foregoing ensuring that its representatives attend meetings with the applicable Governmental Authority); or
 - (ii) a work plan or some other form of documentation as security as a condition of approving the Licence Transfers, or
 - (iii) a security deposit as a condition of approving the Licence Transfers;
- the Purchaser shall promptly deliver such work plan, other form of security or security deposit to such Governmental Authority.
- (d) Upon the receipt of confirmation of approval from the applicable Governmental Authority in respect of the application for the Licence Transfers (such that the Licence Transfers are registered in the name of the Purchaser), until Closing the Purchaser shall hold the Licences subject to the Licence Transfers in trust for the Vendor.
- (e) If the Licence Transfers have been completed and Closing does not occur by the Outside Date, at the request of the Vendor the Purchaser shall prepare and electronically submit an application to the Applicable Governmental Authority for approval of Licence Transfers to and in favour of the Vendor, and the Vendor shall, where applicable, electronically ratify and sign such application.

2.8 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. At a reasonable time prior to Closing, Vendor shall use reasonable efforts to prepare and provide for Purchaser's review all Specific Conveyances at Vendor's own cost and expense. The Parties shall execute such Specific Conveyances at Closing. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall register and/or distribute (as applicable) all such Specific Conveyances and shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.9 Title Documents and Miscellaneous Interests

As soon as practicable following Closing:

- (a) Vendor shall deliver to Purchaser such original copies of the Title Documents and any other agreements and documents to which the Assets are subject;
- (b) Vendor shall deliver to Purchaser such original copies of contracts, agreements, records, books, documents, licenses, reports and data comprising Miscellaneous Interests; and
- (c) Vendor shall permit Purchaser to copy all information and data relating directly to and comprising the Assets stored on all Direct servers, network drives and similar computer hardware,

to the extent that the forgoing is in the possession or control of Vendor or of which Vendor gains possession or control of prior to Closing.

2.10 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by certified cheque, bank draft or wire transfer.

2.11 Taxes

(a) GST

Each of Purchaser and Vendor is a 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 79891 3489 RT0002

Purchaser 74733 0488 RT0001

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all Sales Taxes. Purchaser shall be solely responsible for all Sales Taxes which may be imposed by any Governmental Authority 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. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of receipts showing payment of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof.

(c) Elections

The Parties agree to make any such elections as determined by Vendor and Purchaser, each acting reasonably, as prudent and available to minimize taxes payable as a result of the Transaction. Purchaser, acting reasonably, shall prepare, and each Party agrees to execute and file, any such elections in the form and within the time periods prescribed or specified under Applicable Law.

ARTICLE 3 CONDITIONS OF CLOSING AND CLOSING

3.1 Required Consents

Both before and after Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals and consents required under Applicable Law and any and all material approvals and consents of Third Parties required to permit the Transaction. The Parties acknowledge that the acquisition of such approvals and consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including the Facilities and the Wells.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Vendor's Interest in and to the Assets, and of Vendor to sell its interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) Vendor obtaining the Court Order; and
- (b) there shall not have been instituted any legal proceedings to obtain, and no court or Governmental Authority of competent jurisdiction shall have issued, promulgated, enforced or entered any judgment, decree, injunction or other order, whether temporary, preliminary or permanent, that restrains, enjoins or otherwise prohibits consummation of the Transaction.

Unless otherwise agreed to by the Parties, if the conditions contained in this section 3.2 have not been performed or satisfied on or before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Vendor's Interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser in whole or in part:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Closing Date, Purchaser may terminate this Agreement by written notice to Vendor. If Purchaser terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in section 10.13.

3.4 Vendor's Conditions

The obligation of Vendor to sell the Vendor's Interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor in whole or in part:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and as of the Closing Date;
- (b) Vendor shall have been authorized by the inspectors of the estate of Direct in bankruptcy under section 30(1)(a) of the BIA;
- (c) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in or otherwise satisfied in accordance with this Agreement; and
- (e) Vendor shall have made arrangements satisfactory to it with the municipalities or municipal districts where the Assets are located in respect of arrears of real property

taxes, and arrears of amounts accruing and unpaid to the Effective Date under Title Documents and Miscellaneous Interests that Vendor is required to pay under section 6.1 shall not exceed [REDACTED]

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Closing Date, Vendor may terminate this Agreement by written notice to Purchaser. If Vendor terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in section 10.13.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply, and assist in the satisfaction and compliance, with the foregoing conditions precedent.

3.6 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk and the right, title and interest of Vendor and Direct in and to the Assets shall pass from Vendor to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as **Schedule "F"**, duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as **Schedule "G"**, duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable Sales Taxes;
 - (iv) any tax elections as contemplated by this Agreement, duly executed by Vendor;
 - (v) a certified copy of the Court Order; and
 - (vi) any such other items as may be specifically required hereunder.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) the General Conveyance in the form attached as **Schedule "F"**, duly executed by Purchaser;
 - (ii) the Officer's Certificate substantially in the form attached as **Schedule "G"**, duly executed by Purchaser;
 - (iii) the Purchase Price, plus applicable Sales Taxes;
 - (iv) any tax elections as contemplated by this Agreement, duly executed by Purchaser; and
 - (v) any such other items as may be specifically required hereunder

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES**

4.1 Representations and Warranties of Vendor and Trustee

Vendor makes only the following representations to Purchaser, no claim in respect of which shall be made or be enforceable by Purchaser unless written notice of such claim, with reasonable particulars, is given by Purchaser to Vendor within a period of six (6) months following the Closing Date:

- (a) MNP is the trustee in bankruptcy of Direct;
- (b) subject to obtaining and pursuant to the Court Order, Vendor has the right to enter into this Agreement and to complete the Transaction;
- (c) provided the Court Order is obtained, this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Vendor enforceable against Vendor in accordance with their terms;
- (d) Vendor has not since the Date of Appointment knowingly sold, disposed of, transferred, disclaimed, renounced, released or abandoned, or granted any charge or other encumbrance against, any of the Assets, provided that, for certainty, Vendor makes no representations and warranties with respect to charges or other encumbrances against any of the Assets; and
- (e) Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor, no claim in respect of which shall be made or be enforceable by Vendor unless written notice of such claim, with reasonable particulars, is given by Vendor to Purchaser within a period of six (6) months following the Closing Date:

- (a) Purchaser is an Alberta corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) except for obtaining the Court Order, the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or license applicable to Purchaser;
- (e) provided the Court Order is obtained, this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;

- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirement therefor previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay: (i) all amounts required to be paid by Purchaser under this Agreement; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) the Purchaser's LMR exceeds 1.0;
- (j) the Purchaser is in compliance with its obligations under the *Oil and Gas Conservation Act* (Alberta), the *Pipeline Act* (Alberta) and all regulations, directives, rules, directions and orders thereunder and equivalent legislation in other jurisdictions where the Lands are located, including without limitation Directive 067;
- (k) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (l) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act* (Canada).

4.3 Limitation of Representations by Vendor

- (a) Notwithstanding anything to the contrary in this Agreement, Vendor expressly negates any representations or warranties except as expressly set forth in section 4.1, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Vendor's interest in and to the Assets shall be purchased on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
 - (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the environmental state or condition of the Lands;

- (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the quality, condition, fitness, suitability, serviceability or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles);
 - (viii) the accuracy or completeness of the Data Room Information or any other data or information supplied by the Vendor or any of its Representatives in connection with the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest or ownership of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Vendor's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets and those matters specifically enumerated in section 4.3(a).
- (c) Except with respect to the representations and warranties in section 4.1 or in the event of fraud, Purchaser forever releases and discharges Vendor and its Representatives from any claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

4.4 Vendor's Indemnities for Representations and Warranties

Vendor shall be liable to Purchaser for and shall, in addition, indemnify Purchaser from and against, all Losses suffered, sustained, paid or incurred by Purchaser which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in section 4.1 been accurate and truthful; provided, that nothing in this section 4.4 shall be construed so as to cause Vendor to be liable to or indemnify Purchaser in connection with any representation or warranty contained in section 4.1 if and to the extent that Purchaser did not rely upon such representation or warranty.

4.5 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in section 4.2 been accurate and truthful; provided, that nothing in this section 4.5 shall be construed so as to cause Purchaser to be liable to or indemnify Vendor in connection with any representation or warranty contained in section 4.2 if and to the extent that Vendor did not rely upon such representation or warranty.

4.6 Enforcement of Representations and Warranties

- (a) The representations and warranties of each Party contained in this Agreement shall survive until Closing and shall thereafter be of no further force and effect. Effective upon the occurrence of Closing, each Party hereby releases and forever discharges each other Party from any breach of any representations and warranties set forth in this Agreement. For greater certainty, none of the representations and warranties contained in this Article 4 shall survive Closing and, the Purchaser's sole recourse for any material breach of representation or warranty by the Vendor shall be for the Purchaser to not complete the Transaction in accordance with this Agreement.
- (b) The representations and warranties of the Vendor made herein or pursuant hereto are made for the exclusive benefit of the Purchaser, and the representations and warranties of the Purchaser made herein or pursuant hereto are made for the exclusive benefit of the Vendor, as the case may be, and are not transferable and may not be made the subject of any right of subrogation in favour of any other Person.
- (c) The Parties expressly acknowledge and agree that the provisions of this Section 4.6 and the limit on each Party's liability set out in this Section 4.6 are intended by the Parties as a limitation of liability that represents a fair and equitable allocation of the risks and liabilities that each Party has agreed to assume in connection with the subject matter hereof and is not an agreement within the provision of subsection 7(2) of the *Limitations Act* (Alberta).

ARTICLE 5 INDEMNITIES

5.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

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

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing after the Closing Date.

5.2 Environmental Matters and 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 solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and

- (b) indemnify, release and save harmless Vendor from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing arising out of, 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 as between Vendor and Purchaser (including whether occurring or accruing prior to, 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 (including whether occurring or accruing prior to, on or after the Closing Date) in respect of all Wells and Facilities.

5.3 Third Party Claims

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

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within ten (10) Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such ten (10) Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to do either or both of the following:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;
- (c) each Party shall 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) the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated claims as reasonably requested by it; and

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

ARTICLE 6 ADJUSTMENTS

6.1 Costs and Revenues to be Apportioned

Subject to section 6.1(b), below and except as otherwise provided in this Agreement, all costs and expenses relating to the Assets and all revenues relating to the Assets, shall be apportioned as of the Effective Date between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles (with Purchaser having the benefit of revenues, and bearing the costs and expenses, accruing on the Effective Date itself), provided that:

- (i) deposits made by Direct or Vendor relative to operations on the Lands shall be returned to Vendor;
- (ii) no adjustments shall be made in respect of Direct's or Vendor's income taxes;
- (iii) all rentals and similar payments in respect of the Leased Substances, Leases, Surface Rights and municipal property taxes levied with respect to the Assets or operations in respect thereof shall be apportioned between Vendor and Purchaser on a *per diem* basis as of the Effective Date.

Vendor shall not be liable to make any adjustment to the Purchase Price in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability that relates to the period prior to the Date of Appointment.

6.2 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to section 6.1 shall be made at Closing based on Vendor's and Purchaser's good faith estimate of the costs and expenses paid by Vendor prior to Closing and the revenues received by Vendor as of the Effective Date and prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide a statement not later than three (3) Business Days prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement. Vendor and Purchaser shall cooperate in preparing a final accounting of the adjustments pursuant to section 6.1, which Vendor and Purchaser shall finalize within ninety (90) days following the Closing Date (the "**Final Statement of Adjustments**"), and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within fifteen (15) Business Days of being notified of the determination of the amount owing.
- (b) In the event that final amounts are not available for inclusion within the Final Statement of Adjustments, such amounts shall be estimated by the Parties acting reasonably using such data and information as is reasonably available.
- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price. An adjustment payable by a Party after Closing pursuant to this section 6.2 which is not paid within fifteen (15) Business Days of a written request for payment from the other Party, shall bear interest at the Prime Rate per annum payable by the paying Party to the other Party from the end of such fifteen (15) Business Day period until the adjustment is paid.

**ARTICLE 7
MAINTENANCE OF ASSETS**

7.1 Consent of Purchaser

Notwithstanding section 6.1 and subject to Applicable Laws and directions of Governmental Authorities (including in relation to the bankruptcy proceedings of Direct and such proceedings themselves), Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld by Purchaser and which, if provided, shall be provided in a timely manner:

- (a) surrender, disclaim, abandon, dispose of, release, divest itself of or renounce any of the Assets;
- (b) amend or terminate any Title Document or enter into any new agreement or commitment relating to the Assets; or
- (c) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting sales of the Leased Substances in the normal course of business.

7.2 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into Title Documents and other agreements or documents to which the Assets are subject or otherwise recognized as the owner of the Assets, until that novation or recognition has been effected or for a period of ninety (90) days, whichever is sooner, Vendor shall:

- (a) in a timely manner, deliver to Purchaser all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Vendor shall respond to such notices pursuant to Purchaser's written instructions, if received on a timely basis, provided that Vendor may refuse to follow any instructions which it reasonably believes to be unlawful, unethical or in conflict with any applicable agreement or contract, and provided that nothing shall preclude Vendor from taking such actions as Vendor reasonably determines are necessary for the protection of life or property, or as are required by all Applicable Laws, rules, regulations, orders and directions of Governmental Authorities and other competent authorities; and
- (b) receive all revenues which are the property of Purchaser pursuant to this Agreement, as bare trustee and shall remit such revenues to Purchaser in a timely fashion.

7.3 Vendor Deemed Purchaser's Trustee and Agent with respect to Assets

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 7, Vendor shall be deemed to be the bare trustee and agent of Purchaser hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 7 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's bare trustee and agent pursuant to this Article 7, insofar as such Losses are not a direct result of the gross negligence or wilful misconduct of Vendor or its Representatives.

ARTICLE 8 COVENANTS

8.1 Court Filings

- (a) From and after the date of execution of this Agreement and until the Closing Date, the Vendor shall use commercially reasonable efforts to deliver to the Purchaser copies of all pleadings, motions, notices, statements, schedules, applications, reports and other papers that relate, in whole or in part, to this Agreement, or to the Purchaser or its Representatives, that are to be filed by the Vendor in connection with the Court Order in advance of their filing, before the filing of such papers, and shall provide the Purchaser with a reasonable opportunity to review and comment thereon.
- (b) The Vendor shall act reasonably and in good faith in considering any comments provided by the Purchaser to such papers; *provided, however* that, subject in each case to the foregoing good faith obligations of the Vendor, the Vendor shall have no obligation to accept and incorporate the Purchaser's comments to such papers and neither the Vendor's inadvertent failure to comply with this Section 8.1, nor the Vendor's failure to comply with this Section 8.1 due to emergency circumstances, shall constitute a breach under this Agreement.

8.2 Conduct of Business Until Closing

- (a) Except: (A) as expressly provided in this Agreement; (B) with the prior written consent of the Purchaser (not to be unreasonably withheld, conditioned or delayed); (C) as necessary or advisable in connection with the proceedings relating to the Court Order; or (D) as otherwise provided in the Court Order or any other order of the Court in connection with the proceedings relating to the Court Order; following the date hereof and prior to Closing, to the extent reasonably practicable having regard to the proceedings relating to the Court Order, the Vendor shall use commercially reasonable efforts to:
 - (i) cause the Assets to be maintained, in accordance with good industry practice, and in material compliance with all Applicable Laws, the directions of Governmental Authorities and the terms and conditions of the Title Documents;
 - (ii) not sell, pledge, assign, lease, license, or cause, permit, or suffer the imposition of any encumbrance (other than Permitted Encumbrances) on, or otherwise dispose of, any of the Assets, except in the ordinary course of normal day-to-day operations of the Assets, consistent with past practices; or
 - (iii) not authorize or agree, in writing or otherwise, to take any of the actions in respect of the foregoing.
- (b) Until the Closing Date, the Vendor shall provide the Purchaser with all access to the Assets as reasonably required by the Purchaser in order to allow for and assist the Purchaser with an orderly passing of the Assets to the Purchaser following Closing in accordance herewith.
- (c) The access to the Assets to be afforded to the Purchaser and its Representatives pursuant to this Section 8.2 will be subject to the Title Documents and all of the Vendor's and the Direct's site entry protocols, health, safety and environmental rules, policies and procedures. Further, the Purchaser acknowledges and agrees that it shall:
 - (i) be solely liable and responsible for any and all Losses which the Vendor, Direct, their respective Affiliates or their respective Representatives may suffer, sustain, pay or incur; and

- (ii) as a separate covenant, indemnify and save harmless the Vendor, Direct, their respective Affiliates and their respective Representatives harmless from any and all claims and all Losses whatsoever which may be brought against, suffered by or incurred by the Vendor, Direct, their respective Affiliates or their respective Representatives,

arising out of, resulting from, attributable to or in any way connected with any access provided to the Purchaser or its Representatives pursuant to this Section 8.2.

8.3 ROFRs

- (a) The Purchaser acknowledges that it shall be responsible for conducting such separate investigation of the Assets as the Purchaser has determined is appropriate with respect to the identification of ROFRs applicable to the Assets as soon as is reasonably practicable after the date hereof. Promptly following the identification of Assets which are the subject of ROFRs, the Purchaser shall provide the Vendor with its bona fide allocation of the amount of the Purchase Price attributable to each of such Assets which are subject to a ROFR.
- (b) The Vendor shall courier ROFR notices to the Third Parties holding such ROFRs promptly following the receipt of Purchaser's allocation of the Purchase Price attributable thereto pursuant to Section 8.3(a). The Vendor shall utilize the Purchaser's allocation of the Purchase Price attributable to the Assets subject to ROFRs for purposes of preparing and issuing the ROFR notices. The Vendor shall notify the Purchaser in writing forthwith upon each Third Party exercising or waiving such a ROFR.
- (c) If any such Third Party elects to exercise such a ROFR, then:
 - (i) the definition of Assets shall be deemed to be amended to exclude those Assets in respect of which the ROFR has been exercised;
 - (ii) such Assets shall not be conveyed to the Purchaser; and
 - (iii) any proceeds received by the Vendor from a Third Party in respect of the sale and conveyance of any Assets which are subject to a ROFR shall be paid to the Vendor, and the Purchase Price shall be subject to a reduction in the amount of such proceeds received by the Vendor in the event of the exercise of any such ROFR by a Third Party.
- (d) In the event that a Third Party exercises a ROFR and is then unable or unwilling to enter into a conveyance agreement with the Vendor for the relevant Assets, the Purchaser agrees to accept a conveyance of such Assets under the same terms and conditions as this Agreement to whatever extent possible.
- (e) Closing shall not be delayed even though certain of the ROFRs are outstanding and capable of exercise by the holders thereof as of the Closing Date (such ROFRs being referred to as "**Outstanding ROFRs**"). In such case, the following procedures shall apply:
 - (i) the Parties shall proceed with Closing (for greater certainty without any reduction in the Purchase Price for the Outstanding ROFRs, and without variation of any other terms or conditions of this Agreement);
 - (ii) the Purchaser shall have (as of the Closing Date) prepared all Specific Conveyances and other closing documentation required for the sale of the Assets subject to the Outstanding ROFRs (the "**Outstanding ROFR Assets**");

- (iii) if an Outstanding ROFR is exercised by a Third Party, the Vendor will promptly notify the Purchaser thereof in writing, the Specific Conveyances and other closing documentation related to such Outstanding ROFR Assets will be of no force or effect and shall be destroyed by the Purchaser, and the provisions of Section 8.3(c) shall apply to the Assets which are the subject of the Outstanding ROFR being exercised by the Third Party, *mutatis mutandis*; and
- (iv) if after Closing an Outstanding ROFR is extinguished by lapse of time, waiver or otherwise (other than as a result of being exercised), the Vendor will promptly notify the Purchaser thereof in writing and promptly deliver copies of the Specific Conveyances and closing documentation previously prepared to the Purchaser, and such documentation shall be effective and the sale of such Outstanding ROFR Assets to Purchaser pursuant hereto shall be deemed to have closed on the Closing Date.

8.4 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Vendor's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets, for the purpose of Purchaser's review of the Assets and title thereto.

8.5 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licenses, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Direct's or Vendor's ownership of the Assets (including taxation matters and liabilities and claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any claim commenced or threatened by any Third Party against Direct or Vendor.

8.6 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two (2) years from the Closing Date.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by the written agreement of the Vendor and the Purchaser, provided however that if this Agreement has been approved by the Court, any such termination shall require the approval of the Court;
- (b) by the Purchaser, upon written notice to the Vendor, if there has been a material breach by the Vendor of any material representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Purchaser, and: (i) such breach is not curable and has rendered the satisfaction of any condition in Section 3.3 impossible by the Outside Date; or (ii) if such breach is curable, the Purchaser has provided prior written notice of such breach to the Vendor, and such breach has not been cured within ten (10) days (or, if not curable within ten (10) days, such longer period as is reasonable under the circumstances, not to exceed thirty (30) days) following the date upon which the Vendor received such notice;
- (c) by the Purchaser, if an applicable Governmental Authority requires the Purchaser to provide a deposit of cash or security in excess of \$500,000.00 as a condition to the approval of the Licence Transfers;
- (d) by the Purchaser, upon written notice to the Vendor, any time after the Outside Date, if (A) the Order has not been obtained, or (B) the Closing has not occurred by the Outside Date and such failure to close was not caused by or as a result of the Purchaser's breach of this Agreement
- (e) by the Vendor, upon written notice to the Purchaser, if there has been a material breach by the Purchaser of any material representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Vendor, and: (i) such breach is not curable and has rendered the satisfaction of any condition in Section 3.4 impossible by the Outside Date; or (ii) if such breach is curable, the Vendor has provided prior written notice of such breach to the Purchaser, and such breach has not been cured within ten (10) days (or, if not curable within ten (10) days, such longer period as is reasonable under the circumstances, not to exceed thirty (30) days) following the date upon which the Purchaser received such notice; or
- (f) by the Vendor, upon written notice to the Purchaser, any time after the Outside Date, if (A) the Order has not been obtained, or (B) the Closing has not occurred by the Outside Date and such failure to close was not caused by or as a result of the breach of this Agreement by the Vendor.

9.2 Effect of Termination

Notwithstanding any termination of this Agreement as permitted under Section 9.1, or as otherwise provided for in this Agreement, the provisions of Sections 2.5 (Deposit), 10.13 (Confidentiality and Public Announcements), and 10.5 (Governing Law) shall remain in full force and effect following any such permitted termination, and the Deposit shall be governed by Section 2.5.

ARTICLE 10 GENERAL

10.1 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.

10.2 No Merger

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of Vendor in and to the Assets to Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

10.3 Trustee

Purchaser acknowledges that Trustee is acting solely in its capacity as the trustee in bankruptcy of Direct, and not in its personal or corporate capacity. Under no circumstances shall Trustee or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction, in its or their personal or corporate capacity, whether such liability be in contract, tort or otherwise.

10.4 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements (other than the Confidentiality Agreement dated as of April 18, 2020 (the "**Confidentiality Agreement**") between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

10.5 Governing Law

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

10.6 Signs and Notifications

Within sixty (60) days following Closing, Purchaser shall remove any signage which indicates Direct's ownership or operation of the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

10.7 Assignment and Enurement

This Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

10.8 Time of Essence

Time shall be of the essence in this Agreement.

10.9 Notices

The addresses and email addresses of the Parties for delivery of notices hereunder shall be as follows:

Vendor - MNP Ltd.
1500, 640 - 5th Avenue SW
Calgary, AB T2P 3G4

Attention: Victor P. Kroeger CIRP, LIT, CPA, CA, CFE
Email: vic.kroeger@mnp.ca

With a copy to:

Gowling WLG (Canada) LLP
Suite 1600, 421 7th Avenue SW
Calgary AB T2P 4K9

Attention: Tom Cumming
Email: tom.cumming@gowlingwlg.com

Purchaser - Blue Sky Resources Ltd.
300, 840 - 6th Avenue SW
Calgary, AB T2P 3E5

Attention: Ilyas Chaudhary
Email: ilyas@blueskyep.com

With a copy to:

DLA Piper (Canada) LLP
1000, 250 - 2nd Street SW
Calgary, Ab T2P 0C1

Attention: Patrick Burgess
Email: pat.burgess@ca.dlapiper.com

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

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by email to a Party to the email address of such Party for notices, in which case, if the notice was sent prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was sent and if it is sent on a day which is not a Business Day or is sent after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth (4th) Business Day following the date of mailing.

A Party may from time to time change its address for service, email address or designated representative by giving written notice of such change to the other Party.

10.10 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.

10.11 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.

10.12 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

10.13 Confidentiality and Public Announcements

Until Closing has occurred and subject to the Confidentiality Agreement, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information (i) to any Governmental Authority or regulatory authority or to the public or otherwise if required by Applicable Law or as directed by any Governmental Authority or regulatory authority (including in relation to the bankruptcy proceedings of Direct and such proceedings themselves); or (ii) in connection with obtaining the Court Order; or (iii) as required to Direct's secured creditors.

[Remainder of page intentionally left blank. Signature pages to follow.]

10.14 Counterpart Execution

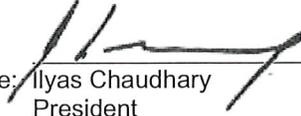
This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

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

MNP LTD., solely in its capacity as the trustee in bankruptcy of **DIRECT OIL & GAS LTD.**, and not in its personal or corporate capacity

BLUE SKY RESOURCES LTD.

Per: _____
Name: Victor P. Kroeger
Title: Senior Vice President

Per:  _____
Name: Ilyas Chaudhary
Title: President

Per: _____
Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "A" attached to and forming part of a Purchase and Sale Agreement dated the 17th day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

Lands and Petroleum and Natural Gas Rights

See the attached.

THE FOLLOWING COMPRISES SCHEDULE "C" attached to and forming part of a Purchase and Sale Agreement dated the [●] day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

FACILITIES

Licence No.	Location	Facility	Operator	Area	WI
F17420	12-05-089-05W6M	Compressor	Direct	Charlie	100%
F17606	10-18-094-02W6M	Injection Plant	Direct	Lovet	100%
F17610	07-13-094-03W6M	Gas Plant	Direct	Lovet	100%
F17611	07-13-094-03W6M	Injection Plant	Direct	Lovet	100%
F21155	02-32-087-01W6M	Compressor	Direct	Dixonville	100%
F25499	13-09-089-06W6M	Battery	Direct	Charlie	100%
F28623	12-29-094-25W5M	Compressor	Direct	Hotchkiss	96.1684%
F31877	16-33-084-08W6M	Battery	Direct	Cecil	40%
F38618	08-25-096-10W6M	Gas Plant	Direct	Chinchaga	100%
F41029	02-32-087-01W6M	Injection Plant	Direct	Dixonville	100%
F41919	06-23-088-06W6M	Battery	Direct	Habay	100%
F41949	11-14-088-06W6M	Satellite	Direct	Habay	100%
F50682	10-30-089-05W6M	Battery	Direct	Charlie	100%
F23478	12-24-096-03W6M	Compressor	CNRL	Cranberry	13.58752%
F46384	15-03-097-04W6M	Battery	CNRL	Cranberry	13.58752%
F23625	10-34-093-01W6M	Battery	Surge	Hotchkiss	6.6667%

THE FOLLOWING COMPRISES SCHEDULE "D" attached to and forming part of a Purchase and Sale Agreement dated the 17th day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

PIPELINES

THE FOLLOWING COMPRISES SCHEDULE "E" attached to and forming part of a Purchase and Sale Agreement dated the 17th day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

WELLS

See the attached 3 pages.

THE FOLLOWING COMPRISES SCHEDULE "F" attached to and forming part of a Purchase and Sale Agreement dated the [17th day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

GENERAL CONVEYANCE

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

MNP LTD. ("MNP"), solely in its capacity as the trustee in bankruptcy of **DIRECT OIL & GAS LTD.**, and not in its personal or corporate capacity (the "Vendor")

- and -

BLUE SKY RESOURCES LTD., a corporation incorporated under the laws of the Province of Alberta (the "Purchaser")

WHEREAS pursuant to a purchase and sale agreement dated June 17, 2020 (the "**Purchase Agreement**") between the Vendor and the Purchaser, the Vendor agreed to sell and the Purchaser agreed to purchase the Assets.

NOW THEREFORE for the consideration provided in 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 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.

THE FOLLOWING COMPRISES SCHEDULE "G" attached to and forming part of a Purchase and Sale Agreement dated the 17th day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

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

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [•] between Vendor and Purchaser (the "Agreement")

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

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

1. The undersigned is personally familiar, in [his][her] capacity as an officer of [Vendor][Purchaser], with the matters hereinafter mentioned.
2. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and are 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 prior to or at Closing have been timely performed in all material respects.
4. This Certificate is made for and on behalf of the [Vendor][Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
5. This Certificate is made with full knowledge that the [Vendor][Purchaser] is relying on the same for the Closing of the transactions contemplated by the Agreement.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____

Name: _____

Title: _____

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of 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.

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

MNP LTD., solely in its capacity as the trustee in
bankruptcy of **DIRECT OIL & GAS LTD.**, and not in
its personal or corporate capacity

BLUE SKY RESOURCES LTD.

Per: _____
Name:
Title:

Per: _____
Name: Ilyas Chaudhary
Title: President

THE FOLLOWING COMPRISES SCHEDULE "H" attached to and forming part of a Purchase and Sale Agreement dated the 17th day of June, 2020 between MNP LTD., solely in its capacity as the trustee in bankruptcy of DIRECT OIL & GAS LTD., and not in its personal or corporate capacity, and BLUE SKY RESOURCES LTD.

COURT ORDER