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1. INTRODUCTION AND PURPOSE OF REPORT

1. On April 10, 2019, Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. (together, “**Strategic**” or the “**Company**”) sought and obtained protection under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, *inter alia*, a stay of proceedings against Strategic until and including May 6, 2019 (the “**Initial Stay Period**”) and appointed KPMG Inc. as Monitor (the “**Monitor**”). The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
3. In addition to the stay of proceedings, the Initial Order granted various relief including, among other things, (i) the KERP Charge, (ii) the Administration Charge, (iii) the Directors’ Charge, and (iv) Interim Lender’s Charge (collectively, the “**Charges**”).
4. On May 6, 2019, the Company obtained an order extending the stay of proceedings until and including June 5, 2019, and this Honourable Court further authorized and directed that the Company proceed with payment of the first installment payment to various employees pursuant to the terms of the Key Employee Retention Plan that was approved by the Court.
5. Further background on the CCAA Proceedings, including a summary of the activities of the Company and the Monitor since granting the Initial Order was previously provided in the Monitor’s first report dated April 29, 2019 (the “**First Report**”) and Monitor’s first supplemental report dated May 3, 2019 (the “**First Supplemental Report**”).
6. This is the Monitor’s second supplemental report (the “**Second Supplemental Report**”) to the Court and should be read in conjunction with the First Report and the First Supplemental Report. The Second Supplemental Report has been filed to advise this Honourable Court and provide the Monitor’s summary and comments with respect to:
 - a) The valuation of the Stalking Horse Bid in respect of the Zama Parcel.
7. Further background and information regarding the Company and these CCAA Proceedings can be found on the Monitor’s website at <http://home.kpmg/ca/strategic> (the “**Monitor’s Website**”).

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

2. SISP

14. The Monitor understands that the AER, the Company, and GMT have concluded discussions in respect of a final version of the SISP and have made minor additions as detailed in the finalized SISP attached hereto as **Appendix “A”**.
15. Further to the above and the comments thereto in the First Supplemental Report, the Monitor supports the SISP as currently drafted.

3. VALUATION OF THE STALKING HORSE BID

16. The Monitor was also asked to elaborate on certain aspects of the Stalking Horse Bid; further comments on the Stalking Horse Bid are below:
- a) The Zama Parcel is a non-core asset in Alberta and unlikely to be of significant interest to parties interested in the remaining Core Assets;
 - b) The Zama Parcel contains no wells or infrastructure other than a recent first quarter 2019 appraisal well, is geographically remote, is not completed or tied in and is of unproven productivity and therefore has limited commercial opportunity without significant additional spend;
 - c) The Monitor is advised by the Company that the sale values of land in the vicinity of the Zama Parcel in recent land auctions was between \$28 and \$58 per acre. Even assuming the highest value of \$58 per acre and a total land area in the Zama Parcel of approximately 65,000 gross acres, the land value of the Company's 10% non-operated working interest is approximately \$377,000;
 - d) The Zama Parcel was previously marketed by the Company in a strategic alternatives process conducted by Royal Bank of Canada Capital Markets from September to November 2018 and attracted no bids;
 - e) The Stalking Horse Bidder holds the remainder of the working interest in the Zama Parcel;
 - f) The Stalking Horse Bidder is in possession of a ROFR on the Zama Parcel pursuant to Joint Venture Letter Agreement dated March 9, 2018 (the "JVLA"); and
 - g) While there is in approximately \$2 million of estimated carry remaining on the Zama Parcel's original spend, the likely costs to production far exceed this amount.

4. CONCLUSIONS AND RECOMMENDATIONS

17. Based on the foregoing and as advised in the First Supplemental Report, the Monitor respectfully recommends that this Honourable Court make an order approving:
- a) The Company's SISP; and
 - b) The Stalking Horse Bid and the corresponding Stalking Horse Charge.

This Report is respectfully submitted this 9th day of May, 2019.

KPMG Inc.

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



Per: Neil Honess
Senior Vice President

APPENDIX “A”

SALE AND INVESTMENT SOLICITATION PROCESS



Sale and Investment Solicitation Package

Strategic Oil & Gas Ltd.
Strategic Transmission Ltd.

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ARTICLE 1
INTRODUCTION

- 1.1 **Background.** On April 10, 2019, Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. ("**STL**", together with Strategic Oil & Gas Ltd., "**Strategic**"), obtained protection from the Alberta Court of Queen's Bench (the "**Court**") under the provisions of the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") pursuant to the provisions of an Initial Order (the "**Initial Order**").
- 1.2 **SISP.** On May 9, 2019, the Court approved Strategic advancing a sale and investor solicitation process in accordance with the terms and conditions set forth herein (the "**SISP**").
- 1.3 **SISP Process Generally.** This SISP describes, among other things, the process by which the SISP will be conducted, the criteria to become a Qualified Bidder, accessing due diligence information, the requirements to make a Qualified Bid, and the review, acceptance and approval process that then follows.

ARTICLE 2
INTERPRETATION

- 2.1 **Defined Terms.** Capitalized terms used herein shall have the meanings ascribed to such terms, including the following:

"**AER**" means Alberta Energy Regulator;

"**AER Regulatory Requirements**" means the legislative acts, regulations, and rules governing energy development in Alberta that the AER administers, including without limitation the transfer provisions under the OGCA, the Pipeline Act, Directive 067 and Directive 006;

"**Bid Deadline**" means July 26, 2019;

"**Business**" means the business being carried on by Strategic;

"**Business Day**" means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are open for business in the City of Calgary;

"**Confidentiality Agreement**" means a confidentiality agreement in form and substance satisfactory to Strategic, providing generally that all information is proprietary and confidential for the benefit of Strategic, subject to certain exceptions including the ability of the signatory to communicate with the Monitor and the Lender;

"**Directive 006**" means "Directive 006, Licensee Liability Rating (LLR) Program and License Transfer Process", approved by the AER on December 17, 2016, as amended;

"**Directive 67**" means "Directive 067, Eligibility Requirements for Acquiring and Holding Energy Licenses and Approvals", approved by the AER on December 6, 2017, as amended;

"**Lender**" means, GMT Capital Corp., as agent for and on behalf of the holders of the outstanding 12% Senior Secured Notes due May 27, 2020 of Strategic Oil & Gas Ltd.;

"**Monitor**" means KPMG Inc., in its capacity as monitor appointed pursuant to the Initial Order;

"**Notice**" means a summary of the Teaser suitable for publication in print media and on-mediums;

"**OCGA**" means the *Oil and Gas Conservation Act*, R.S.A. 2000, c. O-6, as amended;

"**Offer**" means a credible, reasonably certain and financially viable offer for acquisition of all or any part of the Property or for an investment into the Business or alternative transaction (including, without limitation, a restructuring or recapitalization proposal in respect of the Strategic);

"**Pipeline Act**" means the *Pipeline Act*, R.S.A. 2000, c. P-15, as amended;

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

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

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

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

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

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

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

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

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

ARTICLE 3 **SISP PROCESS**

- 3.1 **Notice and Teaser.** As soon as reasonably practicable after Court approval of this SISP, and in any event within 3 Business Days following such approval, Strategic, with the assistance of the Monitor, shall cause the Notice to be published in the Globe & Mail. Strategic and the Monitor

shall also be at liberty to publish the Notice in such other print and social media outlets as they deem appropriate. Strategic, with the assistance of the Monitor, shall also circulate the Teaser to such parties as they reasonably believe may be interested in participating in the SISP.

3.2 **Qualifying as a Potential Bidder.** In order to participate in the SISP and ultimately be considered for qualification as a Qualified Bidder pursuant to Article 5, below, an interested party must deliver to Strategic at the address specified in Schedule "A" hereto (by delivery or email), the following material:

- (a) a duly executed Confidentiality Agreement;
- (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder, full disclosure of the direct and indirect owners of the Potential Bidder and their principals; and
- (c) a written acknowledgement of receipt of a copy of the Court order approving the SISP (including this SISP) and agreeing to accept and be bound by all of the provisions of this SISP.

3.3 **Potential Bidder.** Once an interested party has satisfied all of the requirements described in the previous subsection they will be deemed to be a "**Potential Bidder**", and will be promptly notified of such classification by the Monitor.

ARTICLE 4 DUE DILIGENCE

4.1 **Access.** Forthwith upon being designated as a Potential Bidder, Strategic and the Monitor shall provide the Potential Bidder with access to an electronic data room maintained by Strategic in this regard. Both Strategic and the Monitor shall provide Potential Bidders with further access to such due diligence materials and information relating to the Business and the Property as is reasonably practicable.

4.2 **No Representation or Warranties.** Neither Strategic nor the Monitor makes any representation or warranty as to the information contained in the Teaser or the information to be provided through the due diligence process or otherwise, except to the extent otherwise contemplated under any definitive sale or investment agreement with a Successful Bidder executed and delivered by Strategic.

4.3 **No Additional Information.** Neither Strategic nor the Monitor shall be required to produce any abstract of title, title deeds or documents, or copies thereof or any evidence as to title, other than what is already in Strategic's possession.

ARTICLE 5 BIDDING

5.1 **Requirement for a Qualified Bid.** Except in respect of an Offer regarding the Zama Parcel, which is governed by Article VIII hereof, an Offer submitted by a Potential Bidder will be considered a "**Qualified Bid**" only if the Offer complies with all of the following:

- (a) it includes a letter stating that the Offer is irrevocable until the earlier of (i) the closing of a transaction with a Successful Bidder (as defined below), and (ii) 20 Business Days following the Bid Deadline; provided, however, that if such Offer is selected as a Successful Bid (as defined below), it shall remain irrevocable until the closing of the Successful Bid or Successful Bids, as the case may be;
- (b) it includes a duly authorized and executed:
 - (i) in the case of an Offer involving an acquisition of Property, a purchase and sale agreement specifying the purchase price, expressed in Canadian dollars (the "**Purchase Price**") in as close a form as practicable to the form of purchase and sale agreement attached hereto as marked as Schedule "B" (accompanied by a blackline demonstrating the changes to the form attached hereto);
 - (ii) in the case of an Offer involving an investment into the Business or alternative transaction (including, without limitation, a restructuring or recapitalization proposal in respect of the Strategic), an agreement setting forth the terms and conditions of such investment or alternative transaction, and
 - (iii) and in the case of either (i) or (ii) above, such ancillary agreements as may be required by the Potential Bidder together with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements) and the proposed forms of order(s) for Court approval thereof;
- (c) it includes evidence sufficient to allow Strategic and the Monitor to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the transaction contemplated by the Offer, which evidence could include but is not limited to evidence of a commitment for all required funding and/or financing from a creditworthy bank or financial institution and/or its direct and indirect owners' or principals (in which case information regarding such owners' and principals' financial and other capability shall be included);
- (d) it is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder and/or (ii) obtaining any financing of any kind and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Offer;
- (e) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Offer, including information regarding the Potential Bidder's direct and indirect owners and their principals, and the terms of any such participation;
- (f) it includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Offer; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by Strategic or the Monitor, or any of their respective advisors, except as expressly stated in the Offer; (iii) is a sophisticated party capable of making its own assessments in respect of making

its Offer; and (iv) has had the benefit of independent legal advice in connection with its Offer;

- (g) the Offer is on an "as is, where is", "without recourse" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by either Strategic or the Monitor, or any of their respective agents, except to the extent specifically set forth therein;
- (h) it includes evidence, in form and substance reasonably satisfactory to Strategic and the Monitor, of authorization and approval from the Potential Bidder's board of directors (or comparable governing body) with respect to the Offer;
- (i) in the case of an Offer involving an acquisition of Property, it provides for a refundable deposit (the "**Deposit**"), to be made in the form of a wire transfer (to a trust account maintained by Strategic's counsel, Dentons Canada LLP ("**Dentons**")), in an amount equal to 10% of the proposed gross purchase price, to be held and dealt with in accordance with this SISP;
- (j) it provides for closing of the Offer by no later than the Ultimate Closing Date;
- (k) if the Potential Bidder is an entity newly formed for the purpose of the transaction, the Offer shall include an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to Strategic and the Monitor;
- (l) it includes evidence, in form and substance reasonably satisfactory to Strategic and the Monitor, of compliance or anticipated compliance with any and all applicable Canadian and any foreign regulatory approvals (including, if applicable, anti-trust regulatory approval and any approvals with respect to the grant or transfer of any permits or licenses), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (m) it contains responses to the AER Regulatory Requirements;
- (n) it is otherwise compliant with, and not contrary to, the rules set forth in this SISP;
- (o) it contains other information reasonably requested by Strategic or the Monitor; and
- (p) it is received by no later than the Bid Deadline.

5.2 **Qualified Bids.** Any Offer submitted by a Potential Bidder that complies with each and every requirement of subsection 5.1 of this SISP shall hereinafter be referred to as a "**Qualified Bid**" (and all such bids, the "**Qualified Bids**") and each Potential Bidder who has submitted a Qualified Bid shall hereinafter be referred to as a "**Qualified Bidder**".

5.3 **Deemed Qualified Bids.** Notwithstanding subsection 5.1 and 5.2 hereof, either Strategic or the Lender, with the consent of Monitor, may waive compliance with any one or more of the Qualified Bid requirements specified herein, and deem such non-compliant bids to be Qualified Bids.

5.4 **Restructuring or Recapitalization Proposals.** Potential Bidders in respect of any restructuring or recapitalization proposal shall be encouraged to discuss indicative particulars thereof with

Strategic and the Monitor early in the process to facilitate the likelihood of an Offer therefor becoming a Qualified Bid.

5.5 **AER Review.** Potential Bidders will require AER review. In this regard, Potential Bidders:

- 5.5.1 are encouraged to speak with the AER as soon as practicable after they become Potential Bidders,
- 5.5.2 should be prepared to provide the AER with the following:
 - (a) information about: (A) its corporate structure and associated directors, officers and shareholders, (B) its corporate relationship to Strategic and Strategic's lenders, and (C) its compliance history with the AER,
 - (b) annual and most recent stub period financial statements (balance sheet, income statements, cash flows, and accompanying notes), and
 - (c) the plan in outline to address end of life obligations related to assets within the proposed Offer;
- 5.5.3 must either have current eligibility to hold licenses under Directive 067 or demonstrate to the AER's satisfaction how they will achieve Directive 067 licensee eligibility and a related Business Associate code;
- 5.5.4 should be aware that transfer applications will be more favourably regarded if the following principles are addressed:
 - (a) an *en bloc* sale is preferred (but not required),
 - (b) area acquisitions should be "white-mapped",
 - (c) the transaction is LMR neutral or better,
 - (d) additionally, and depending upon how the foregoing principles are observed, Potential Bidders should propose how end of life obligations will be addressed in respect of the interests being acquired, which may require proposing appropriate closure plan for AER's approval or potentially posting of security.

Notwithstanding anything in this subparagraph 5.5 and subparagraph 6.5 below, the AER retains its discretion to approve the transfer of any applicable licences, permits and approval pursuant to section 24 of the OGCA and section 18 of the Pipeline Act. Accordingly, nothing in this SISP shall fetter that discretion or constitute any "pre-approval" of any transfers required under AER Regulatory Requirements.

5.6 **NWT Regulatory Requirements.** In respect of any Offers related to Property located in the Northwest Territories ("NWT"), the provisions of subsection 5.5 here apply, *mutatis mutandis*, to such Property and the regulatory authorities of the NWT having jurisdiction over such Property.

ARTICLE 6
SELECTION OF THE SUCCESSFUL BID OR SUCCESSFUL BIDS

- 6.1 **Review of Qualified Bids.** Immediately following the Bid Deadline, Strategic, the Lender, and the Monitor will assess all Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this SISF is in the best interests of Strategic. Such assessments will be made as promptly as practicable after the Bid Deadline.
- 6.2 **No Qualified Bids.** In the event that either: (a) no Qualified Bid was received, or (b) none of the Qualified Bids received were likely, in the view of Strategic or the Monitor, acting reasonably, to be consummated, this SISF shall be deemed to be immediately terminated and Strategic shall apply to the Court for advice and direction.
- 6.3 **AER.** Immediately following the Bid Deadline, Strategic will provide all Qualified Bids not eliminated under clause 6.2 (b) of this SISF to the AER for AER's review. AER will provide Strategic and the Monitor with any deficiencies or concerns surrounding each Qualified Bids response to Regulatory Requirements within 2 weeks of AER's receipt of such Qualified Bid.
- 6.4 **Further Negotiations.** Immediately following the Bid Deadline Strategic, and the Lender with the assistance of the Monitor, may select Qualified Bids for further negotiation and/or clarification of any terms or conditions of such Qualified Bids, including the amounts offered, before identifying the highest or otherwise best Qualified Bid(s) (the "**Successful Bid(s)**") received, as the case may be.
- 6.5 **Determining Successful Bid(s).** Upon completion of the AER's review pursuant to subsection 6.3, above, and any further negotiations or clarifications that may be conducted pursuant to subsection 6.4 above, Strategic, and the Lender with the consent of the Monitor, will identify the Successful Bid(s). Any Qualified Bidder who made a Successful Bid is a "**Successful Bidder**". Strategic will notify any such Qualified Bidder that it is a Successful Bidder.

ARTICLE 7
APPROVAL HEARING

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

- 7.4 **Rejection of unsuccessful Bids.** All Qualified Bids (other than any Successful Bid(s)) shall be deemed rejected on and as of the date of closing of the Successful Bid or Successful Bids, as the case may be.

ARTICLE 8
STALKING HORSE PROCEDURE

- 8.1 **Capitalized Terms.** All capitalized terms used in this Article 8 not otherwise defined in this SISF shall have the meaning ascribed to such terms in the Stalking Horse Bid.

- 8.2 **Stalking Horse Bid.** The Stalking Horse Bid shall be utilized by Strategic and the Vendor as a "stalking horse bid" to elicit a superior offer for the Zama Parcel. The Stalking Horse Bid may be utilized by the Strategic and the Monitor in conjunction with their continuing efforts to sell the Zama Parcel on terms and conditions that are (a) no less favourable, (b) no more burdensome or conditional, and (c) except for purchase consideration greater than the Purchase Price, substantially similar to the Stalking Horse Bid.

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

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

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

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

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

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

- 8.7 **Superior Proposal.** The Competing Bid that offers the highest consideration for the Zama Parcel, and is otherwise acceptable to Strategic and the Monitor, shall be deemed to be the "Superior Proposal" for the purposes of Article 8 of this SISP.
- 8.8 **ROFR.** Forthwith upon determining the Superior Proposal the Monitor shall forthwith submit such proposal to the Stalking Horse Bidder to determine whether the Stalking Horse Bidder will exercise its ROFR: The Stalking Horse Bidder will advise Strategic and the Monitor within 5 Business Days whether it intends to exercise the ROFR.
- 8.9 **AER Review.** In the event that the Stalking Horse Bidder does not exercise the ROFR, then the Superior Proposal shall be submitted to the AER for its review and the AER will advise Strategic and the Monitor within 10 Business Days whether the Superior Proposal is acceptable or, if not, what conditions would be required to render it acceptable. Strategic and the Monitor will work with the Competing Bidder under the Superior Proposal, who will have 5 Business Days to satisfy the conditions set forth by the AER.
- 8.10 **Court Approval.** Forthwith upon a Superior Proposal obtaining approval from the AER as contemplated under the previous subsection, Strategic shall bring an application for approval of the Court to close the Superior Proposal. The Superior Proposal shall close forthwith after Court Approval and the proceeds of sale, to the extent necessary to repay the Deposit, Accrued Interest, and the Break Fee, shall be directed to the Stalking Horse Bidder to discharge the obligations secured by the Stalking Horse Charge.
- 8.11 **Closing of the Stalking Horse Bid.** In the event that either: (a) there is no Superior Proposal, or (b) the ROFR is exercised, then Strategic, the Monitor, and the Stalking Horse Bidder shall close the Stalking Horse Bid as soon as is practicable after such event and the Zama Parcel will vest in the Stalking Horse Bidder in accordance with the terms of the Order approving this SISP.

ARTICLE 9

GENERAL PROVISIONS

- 9.1 **Deposits.** All Deposits shall be retained by Dentons and invested in an interest-bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Hearing shall be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction and will be non-refundable. If a Successful Bidder fails to comply with any provision contained in its Successful Bid, the Deposit and all other payments made in connection with the Purchase Price shall be forfeited as liquidated damages. The Deposits (plus applicable interest) of Qualified Bidders not selected as a Successful Bidder shall be returned to such bidders within ten Business Days after the date on which Qualified Bids are deemed rejected in accordance with subsection 7.4. If there is no Successful Bid, all Deposits shall be returned to the bidders within 10 Business Days of the date upon which the SISP is terminated in accordance with these procedures.
- 9.2 **Right to Reject Offers.** The highest or any Offer will not necessarily be accepted. Neither Strategic nor the Monitor has any obligation to conclude a sale arising out of this process and they reserve the right and unfettered discretion to reject any Offer received.
- 9.3 **Taxes.** All applicable federal and provincial taxes are payable by the Qualified Bidder (unless an exemption certificate is produced), not Strategic.

- 9.4 **No Assignment.** No Qualified Bid or Successful Bid may be assigned by the Qualified Bidder to any third party without the prior written consent of Strategic and the Lender, and such consent may be unreasonably withheld.
- 9.5 **Time of the Essence.** All stipulations as to time in this SISP are strictly of the essence.
- 9.6 **No Commissions.** Neither Strategic nor the Monitor shall be required to pay any finder's fees, commissions, expenses or other compensation to any agents, consultants, advisors, or other intermediaries in respect of any Qualified Bid or Successful Bid, unless expressly agreed to separately and in writing and consented to by the Lender.
- 9.7 **Applicable Law.** The laws of the Province of Alberta shall govern this SISP. Strategic and each Qualified Bidder agree that the Court shall have the exclusive jurisdiction to determine any and all disputes under this SISP and any transaction contemplated hereunder hereby attorn to the jurisdiction of the Court.

ARTICLE 10
ADDITIONAL APPROVALS

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

ARTICLE 11
ONGOING SUPERVISION

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

SCHEDULE "A"

Address of Strategic

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

E-mail: tberthelet@sogoil.com

SCHEDULE "B"

Form of PSA: