

Action No: 1001-08669

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY**

**NATIONAL BANK OF CANADA**

**and**

**POWER PLAY RESOURCES LTD.**

**FIRST REPORT OF THE RECEIVER  
HARDIE & KELLY INC.  
SEPTEMBER 27, 2010**

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## INTRODUCTION

1. On June 10, 2010, National Bank of Canada (“NBC”) made application to the Court of Queen’s Bench of Alberta (the “Court”) for the appointment of an Interim Receiver of the assets, property and undertakings of Power Play Resources Ltd. (“Power Play” or the “Company”) as a result of the sudden resignation of the Company’s Board of Directors and officers (“Management”) on June 9, 2010.
2. The Court granted an Interim Receivership Order on June 10, 2010 (the “Interim Receivership Order”) appointing Hardie & Kelly Inc. as Interim Receiver (the “Receiver”).
3. In light of the sudden resignation of Management, NBC had not previously issued to Power Play a demand for repayment (the “Demand”) of its outstanding indebtedness or a Notice of Intention to Enforce Security pursuant to Section 244 (1) of the *Bankruptcy and Insolvency Act* (the “Notice”).
4. On June 10, 2010, NBC issued the Demand and the Notice to Power Play such that on June 24, 2010 a further application to the Court was made by NBC for the appointment of a Receiver. On June 24, 2010, the Court granted an order (the “Receivership Order”) appointing Hardie & Kelly Inc. as Receiver.
5. The purpose of this report (the “First Report”) is to provide the Court with:
  - (a) An overview of the operations of Power Play;
  - (b) An update as to the initial activities of the Receiver;
  - (c) The status of the sales processes undertaken;
  - (d) A Statement of Receipts and Disbursements as at September 21, 2010; and
  - (e) The Receiver’s recommendation in respect of the sale of a portion of Power Play’s oil and gas assets.

### **TERMS OF REFERENCE**

6. In preparing this First Report, the Receiver has relied upon certain unaudited financial information, the records of Power Play, discussions with Power Play's former Management and information obtained from the Receiver's oil and gas consultant, Cord Resource Management Limited ("Cord").
7. The Receiver assumes no responsibility or liability for any loss or damage suffered by any party because of the publication, circulation, reproduction or use of this First Report. Any use which any party may make of this First Report or any reliance or decisions to be based on it is the responsibility of the party.

### **BACKGROUND**

8. Power Play is a private oil and gas company engaged in the exploration, production, development and acquisition of natural gas and petroleum properties with operations in Alberta.
9. The Company holds interests in oil and gas properties located in the areas of Ante Creek, Blueberry, Whitecourt, Carvel, Manyberries and Enchant with land holdings of over 29,000 net acres.
10. The Company operates substantially all of its working interests. As of the date of this First Report, the Company's current net production is approximately 200 BOED.
11. The oil and gas assets are more fully described in the asset summary prepared by Cord attached as Exhibit "A" to this First Report.
12. The Company also holds long-term investments in the form of both eligible and ineligible notes associated with the Asset-Backed Commercial Paper restructuring.

**RECEIVER'S INITIAL ACTIVITIES**

13. Immediately after the issuance of the Interim Receivership Order, the Receiver attended at the Company's head office located in downtown Calgary (the "**Premises**"). The Receiver made the necessary arrangements to change the locks and secure the Premises.
14. The Receiver confirmed that the Company's insurance was in good standing and arranged to be added as an additional named insured.
15. In light of Management's resignation and given the Company operates the majority of its oil and gas interests, the Receiver engaged Cord to operate and administer the oil and gas operations on a day-to-day basis.
16. At the date of the Receiver's appointment, the Company had one remaining employee, whom the Receiver retained for a brief interim period to facilitate the transition of the operations to Cord.
17. Given the cost of the monthly rental obligation for the Premises and the transfer of the management of the operations to Cord, the Receiver expeditiously saw to the vacating of the Premises by the end of June.
18. Near the close of business on Friday, June 11, 2010, the Receiver was advised by Spectra Energy Midstream ("**Spectra**") that Spectra was immediately going to suspend services pursuant to a gas gathering and processing agreement between Spectra and Power Play as a result of the Company having been delinquent on amounts due to Spectra. This had the effect of shutting in the majority of Power Play's production. With the assistance of legal counsel, the Receiver made mutually satisfactory arrangements with Spectra for the payment of a deposit to Spectra in respect of post-receivership services and gathering and processing was resumed by Spectra.

19. The Receiver arranged for the valuation of the office furniture and equipment (the “**Furniture**”) located at the Premises by A D Auction Depot. Given the value of the Furniture, the costs to remove the Furniture from the Premises, the costs of disposal and the Receiver’s desire to vacate the premises by the end of the month, the Receiver sold the office furnishings on site for a nominal value.
20. The Receiver attended a meeting with the Energy Resources and Conservation Board (“**ERCB**”) to discuss the Company’s status and the Receiver’s intended course of action with respect to the sale of the Company’s oil and gas interests and continues to have ongoing communication with ERCB.

#### **MARKETING OF OIL & GAS ASSETS**

21. In March 2010, several months prior to the appointment of the Receiver, Management had engaged Sayer Energy Advisors (“**Sayer**”) as its financial advisor to effect either the sale of the Company or the sale of the Company’s assets.
22. Shortly after being appointed, the Receiver met with Sayer to review the status of their mandate. Sayer advised the Receiver that they were negotiating with several parties such that a combination of either current or pending offers would likely result in the disposal of all of the Company’s assets in the near future.
23. In order to avoid a duplication of costs, the Receiver deemed it prudent to allow Sayer the opportunity to continue to work with the parties they had engaged in the hopes of effecting an expedient resolution to the receivership proceedings.
24. Over the course of the following weeks, the various parties Sayer had been negotiating with either withdrew their offers, or the offers were in such a form that they were unacceptable or would not be possible to close in the circumstances with the exception of one offer for the Company’s assets in the Enchant area (the “**Enchant Offer**”) which is further discussed below.

25. Consequently, on September 8, 2010, Sayer was notified that the Receiver would now be forced to conduct its own sale process of the assets with a view to independently canvassing the marketplace. The Receiver engaged Cord to expand its initial mandate to include the marketing of the Company's assets.
26. Notwithstanding the Receiver was commencing its own marketing process, the Receiver advised Sayer that it intended to accept the Enchant Offer as both Sayer and Cord have recommended to the Receiver that the Enchant Offer is appropriate to accept in the circumstances and does not otherwise affect the Receiver's ability to market the remaining assets. NBC, the Company's principal secured creditor currently owed in excess of \$11.4 Million, is also supportive of closing the Enchant Offer.
27. The Receiver anticipates the marketing process for the remainder of the Company's properties will continue for several weeks. Despite the engagement of Cord to conduct a sales process, Sayer has advised the Receiver that they continue to speak with several parties with whom they were previously negotiating. At this time, the Receiver does not believe this to be a deterrent to the Receiver's independent sales efforts.

#### **THE ENCHANT OFFER**

28. Attached as Exhibit "B" is a copy of the Asset Purchase and Sale Agreement (the "**PSA**") between the Receiver and Bowood Energy Ltd., the significant terms and conditions of which are as follows:
  - (a) Cash sale for \$125,000;
  - (b) Effective date of September 1, 2010;
  - (c) Court approval of the sale and the granting of an order vesting title (the "**Approval and Vesting Order**"); and
  - (d) Closing of the sale within two business days of the granting the Approval and Vesting Order.

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

29. A copy of the Receiver's Statement of Receipts and Disbursements is attached as Exhibit "C" indicating the Receiver holds approximately \$65,000 in its trust account.

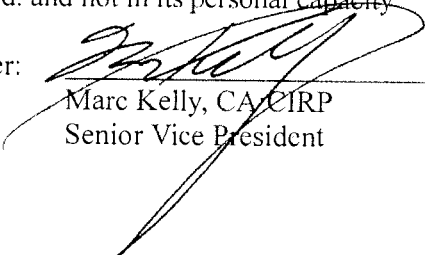
**RECOMMENDATION**

30. The Receiver is seeking this Honourable Court's approval of the sale contemplated by the PSA and recommends approval of same for the following reasons:
- (a) The Company's assets in the Enchant area, which are the subject of the PSA, are non-core assets and not critical to the operations and will not otherwise impact the marketing of the Company's remaining properties;
  - (b) The oil and gas assets of the Company have been exposed to the market since March 2010;
  - (c) Sayer and Cord have both recommend to the Receiver that the sale is commercially reasonable in the circumstances; and
  - (d) The Company's principal secured creditor, NBC, is supportive of the transaction.

All of which is respectfully submitted this 27<sup>th</sup> day of September, 2010.

**Hardie & Kelly Inc.**, in its capacity  
as Receiver of Power Play Resources  
Ltd. and not in its personal capacity

Per:

  
\_\_\_\_\_  
Marc Kelly, CA/CIRP  
Senior Vice President

# **EXHIBIT A**

**Hardie Kelly**  
INSOLVENCY MANAGEMENT

## Power Play Property Divestiture

Hardie & Kelly Inc. ("Hardie & Kelly"), court-appointed Receiver of Power Play Resources Ltd. ("Power Play") is offering for sale all of the Power Play's oil and gas assets. Hardie & Kelly has engaged the services of Cord Resource Management Limited to assist with asset management and the divestiture process.

Power Play holds an interest in properties at Blueberry, Ante Creek, Whitecourt, Carvel, Enchant and Manyberries.

Current net production is 225 BOED comprised primarily of natural gas with minor volumes of NGLs.

**Company share of reserves are estimated at 259,000 BOE 1P and 458,000 BOE 2P with a PV10% of \$3,784K and \$6,48K, respectively. (GLJ December 31, 2009)**

### Process and Timeline

Hardie & Kelly is accepting cash bids on a first come, first served basis, subject to regulatory approvals.

Bids will be considered on Individual properties or portions thereof.

Successful bids will require a 10% deposit.

### Overview

Production – 215 BOED from Blueberry, 20 BOED from Ante Creek

Land – over 29,000 net acres; 10,000 developed, 19,000 undeveloped

Wells – 29 wells; 6 producing, 17 shut in, 6 abandoned

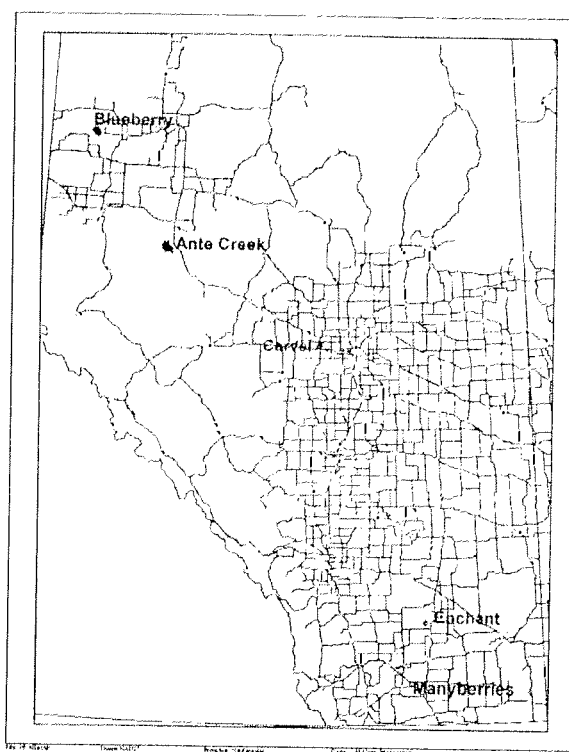
Tax Pools – \$20.4 million

Recompletion and Remedial Inventory

Development and Exploratory Locations

Seismic – 480 kms 2D, 26 square km 3D

**Hardie & Kelly is accepting cash bids on a first come first served basis; subject to regulatory approval. Any and all bids will be considered.**



### Data Room

The Data Room will be hosted at the offices of Cord Resource Management Limited.  
820, 717-7th Avenue SW

To book an appointment to attend the Data Room please contact:

Ms. Gallane Yam @ (403) 266-3363

For further information, contact:

Cord Resource Management Limited

Dale Brand Phone 403.266.3363

Rick Nixon Phone 403.266.3363

Hardie & Kelly Inc.

Marc Kelly Phone 403.252.1766

email drbrand@midlakeoil.ca

email rjnixon@midlakeoil.ca

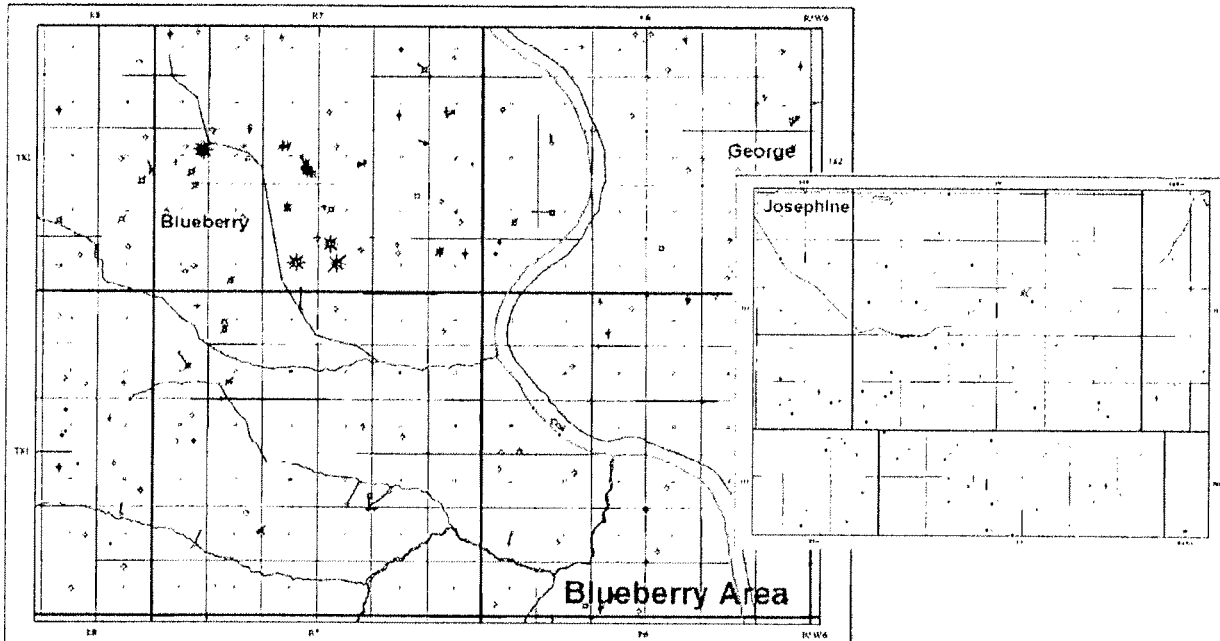
email mkelly@insolvency.net



**Resource Management Limited**



Cord Resource Management Limited  
#820, 717 7th Avenue S.W.  
Calgary, Alberta, T2P 0Z3  
as agent for Hardie & Kelly Inc.



**Highlights**

- 100% operated working interest .
- 3840 acres developed and undeveloped land
- Multi zone.
- Mature infrastructure, capacity available.
- Remedial opportunities
- 17 km<sup>2</sup> 3D seismic
- Development potential, locations identified.

**Blueberry Well List**

Isd	Location					Status	Formation	Operator	PPRL WI (%)	
	sec	twp	rge	mer						
00	11	03	082	07	6	0	Susp Gas	Gething	Power Play	100
00	13	03	0802	07	6	0	Gas	Gething	Power Play	100
00	13	03	082	07	6	2	Gas	Bluesky	Power Play	100
00	10	04	082	07	6	2	Gas	Bluesky	Power Play	100
00	09	18	082	07	6	0	SI Gas	Kiskatinaw	Power Play	100
02	09	18	082	07	6	2	Gas	Gething	Power Play	100
00	15	15	083	09	6	0	SI Gas	Kiskatinaw	Cequence	22.8

**GLJ Petroleum Consultants Ltd. as of December 31, 2009**

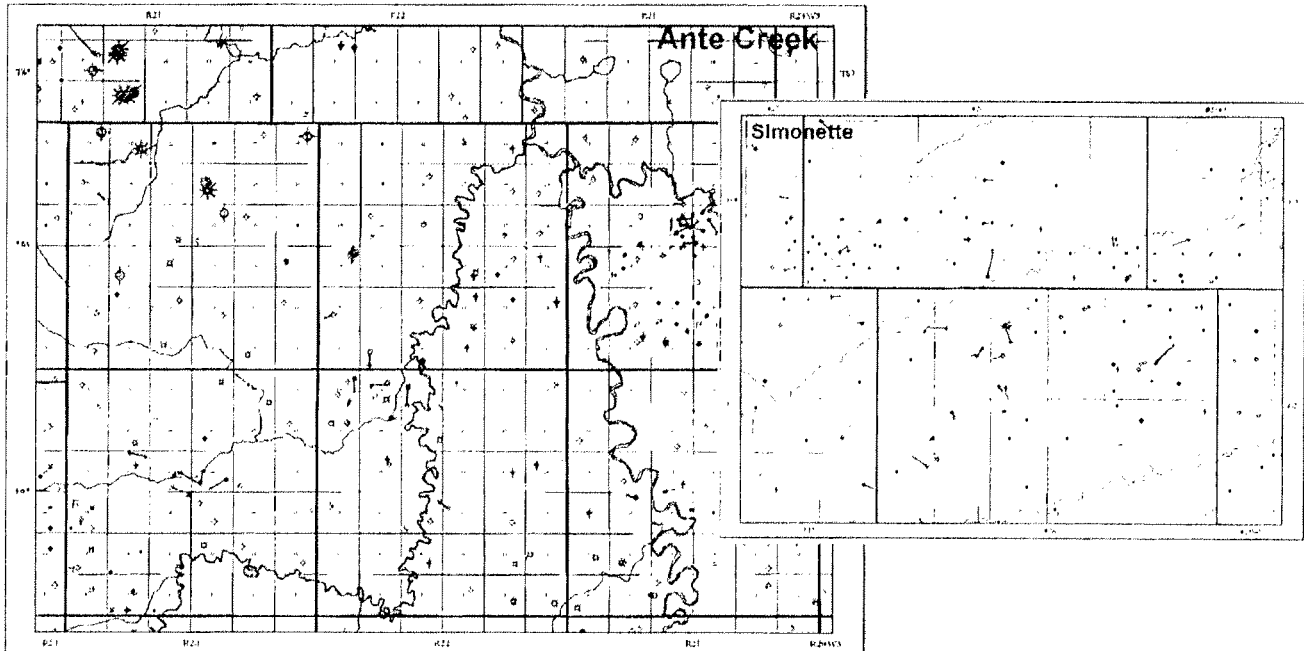
	COMPANY GROSS RESERVES			COMPANY GROSS RESERVES			
	Natural Gas MMcf	Ngl Mbbbl	Total MBOE	0%	5%	10%	15%
Proved Developed Producing	1,302	2	219	\$4,050	\$3,677	\$3,371	\$3,117
Proved Non-Producing/PUD	126	0	21	\$272	\$249	\$229	\$210
<b>Total Proved</b>	<b>1,428</b>	<b>2</b>	<b>240</b>	<b>\$4,322</b>	<b>\$3,926</b>	<b>\$3,600</b>	<b>\$3,327</b>
Probable	923	1	155	\$3,041	\$2,337	\$1,851	\$1,504
<b>Total Proved Plus Probable</b>	<b>2,351</b>	<b>4</b>	<b>396</b>	<b>\$7,363</b>	<b>\$6,263</b>	<b>\$5,451</b>	<b>\$4,831</b>



Cord Resource Management Limited  
#820, 717 7th Avenue S.W.  
Calgary, Alberta, T2P 0Z3  
as agent for Hardie & Kelly Inc.

Rick Nixon 403-266-3363

Dale Brand 403-266-3363



**Simonette Well List**

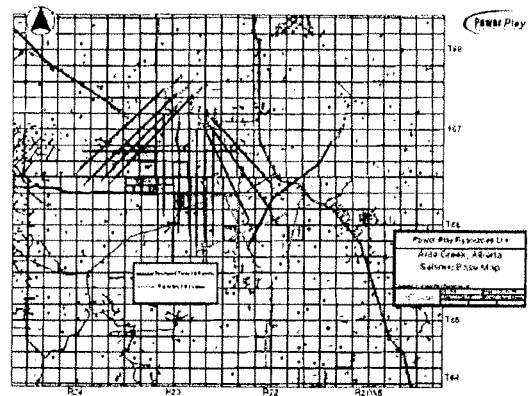
00	isd	sec	twp	rng	mer	3	Status	Formation	Operator	P.P.R.L. W.I (%)
00	05	33	062	26	5	3	Gas	Dunvegan	Suncor	19.5

**Ante Creek Well List**

00	isd	sec	twp	rng	mer	3	Status	Formation	Operator	BPO	APO
02	16	18	066	22	5	0	Standing	Peace River	Power Play	100	100
00	16	18	066	22	5	0	Standing	Peace River	Power Play	100	100
00	05	17	065	23	5	0	Abandoned		Power Play	100	100
00	15	22	060	23	5	0	Abandoned		Power Play	100	100
00	06	27	066	23	5	0	Gas	Peace River	Power Play	100	62.5
02	06	27	069	23	5	0	Abandoned		Power Play	100	100
00	11	27	066	23	5	0	Standing	Cardium	Power Play	100	82.5
00	16	31	066	23	5	0	Standing	Peace River	Power Play	72.9	72.9
00	07	32	066	23	5	0	Susp Gas	Peace River	Power Play	100	95.3
00	10	36	066	23	5	0	Abandoned		Paramount	3.2	3.2
00	10	04	067	23	5	0	Susp Oil	Montney	Power Play	100	100
02	10	04	067	23	5	0	Susp Gas	Cardium	Power Play	100	100
00	11	04	067	23	5	0	SI Gas	Cardium	Power Play	100	100
00	02	06	067	23	5	0	D&A		Power Play	100	100
00	11	09	067	23	5	2	Gas	Peace River	Power Play	100	85
02	11	09	067	23	5	0	D&A		Power Play	100	100
00	14	09	067	23	5	0	Susp Gas	Montney	Power Play	60	60

The Company has access to 39 km of proprietary and 222 km of trade 2D seismic data over its lands.

Ante Creek/Simonette Seismic



**Ante Creek/Simonette Reserves**

GLJ Petroleum Consultants Ltd. as of December 31, 2009

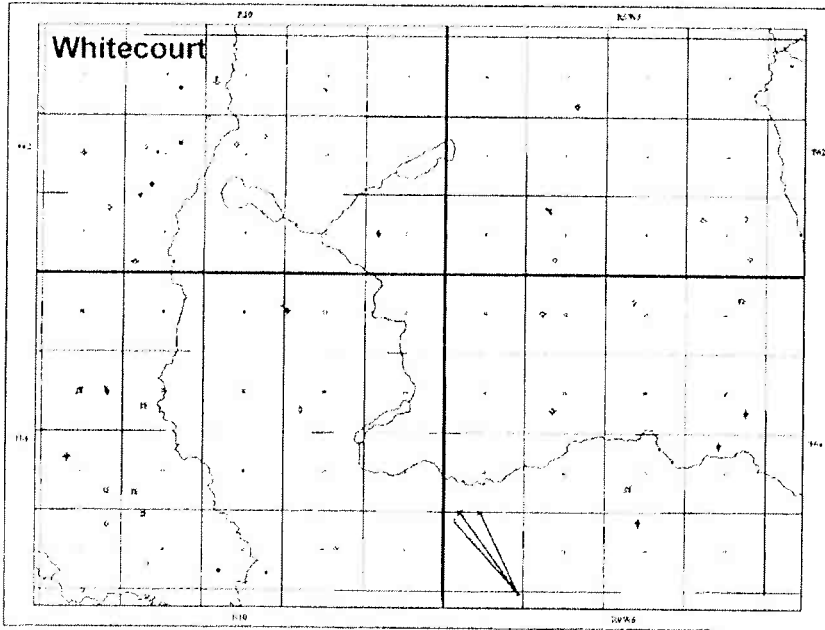
	COMPANY GROSS RESERVES			COMPANY GROSS RESERVES			
	Nat. Gas MMcf	Ngl Mbbbl	Total MBOE	0%	5%	10%	15%
Proved Developed Producing	72	1	13	\$157	\$148	\$141	\$135
Proved Non-Producing/PUD	34	1	6	\$52	\$48	\$43	\$39
Total Proved	106	2	19	\$209	\$196	\$184	\$174
Probable	170	3	31	\$449	\$372	\$312	\$263
Total Proved Plus Probable	276	4	50	\$658	\$568	\$496	\$437



Cord Resource Management Limited  
#820, 717 7th Avenue S.W.  
Calgary, Alberta, T2P 0Z3  
as agent for Hardie & Kelly Inc.

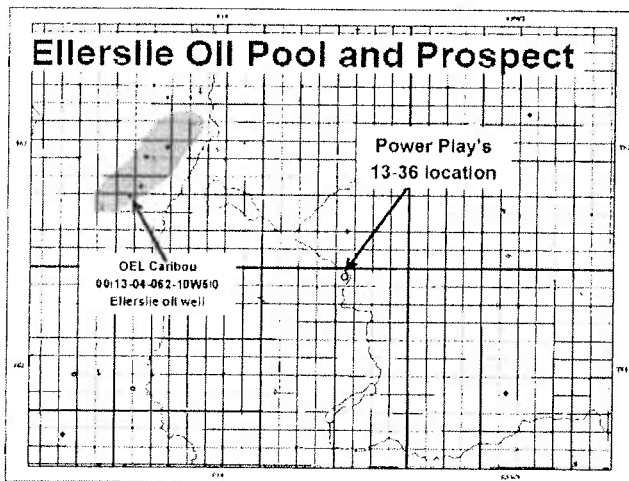
Rick Nixon 403-266-3363

Dale Brand 403-266-3363

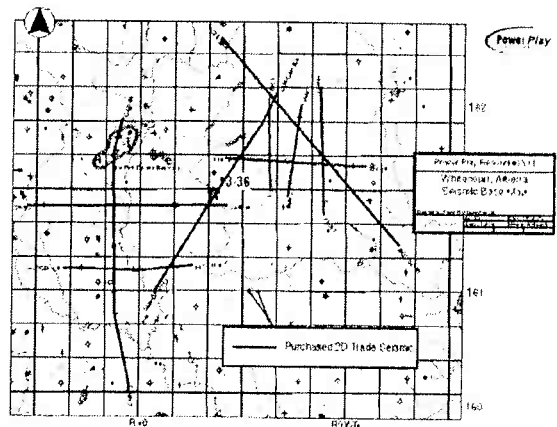


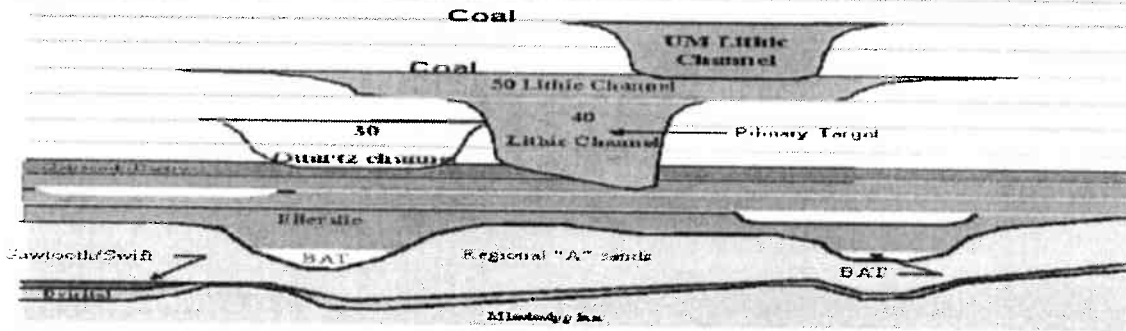
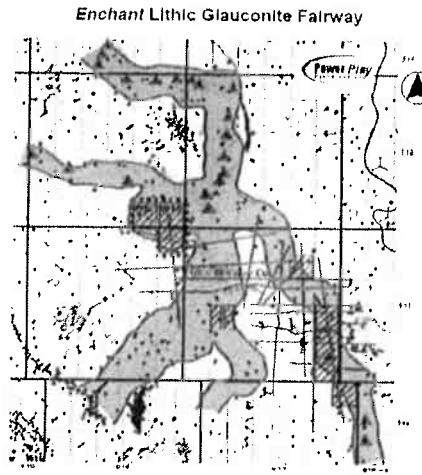
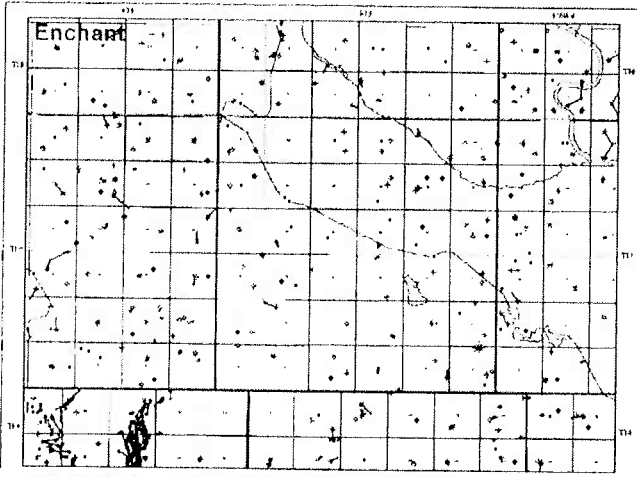
Power Play holds a 100% working interest in three sections of land along with a 50% interest in a fourth section at *Whitecourt*, which is prospective for oil and natural gas from the Pekisko and Ellerslie Formations.

The Company has identified a drilling location on its 100% interest lands using an offsetting production analogue and seismic.



Whitecourt Seismic





**Enchant Property**

Township 14-16, Range 17-18W4

Power Play holds high working interests, mainly 100%, in nine sections of land (8.1 net sections at average 90% WI) in the *Enchant* area of southern Alberta. The lands were acquired to exploit the natural gas potential of a resource play in the lithic channels of the Glauconite Formation that underlie Power Play's lands.

The Company believes that there could be as much as 60 Bcf of natural gas in place on its lands. The Company's primary target in the *Enchant* area is the Glauconite GL40 lithic channel. The channel is up to 35 metres thick and averages 2.0-3.0 kilometres in width. Typical GL40 wells in the *Enchant* area produce liquids-rich natural gas at an average of over 800 Mcf/d for the first three months of production, and an average of over 575 Mcf/d for the first twelve months of production.

**Enchant Reserves**

GLJ Petroleum Consultants Ltd. as of December 31, 2009							
	COMPANY GROSS RESERVES			COMPANY GROSS RESERVES			
	Natural Gas MMcf	Ngl Mbbbl	Total MBOE	0%	5%	10%	15%
Proved Developed Producing	0	0	0	\$0	\$0	\$0	\$0
Proved Non-Producing/PUD	0	0	0	\$0	\$0	\$0	\$0
Total Proved	0	0	0	\$0	\$0	\$0	\$0
Probable	70	0	12	\$236	\$217	\$201	\$187
Total Proved Plus Probable	70	0	12	\$236	\$217	\$201	\$187

**Enchant Well List**

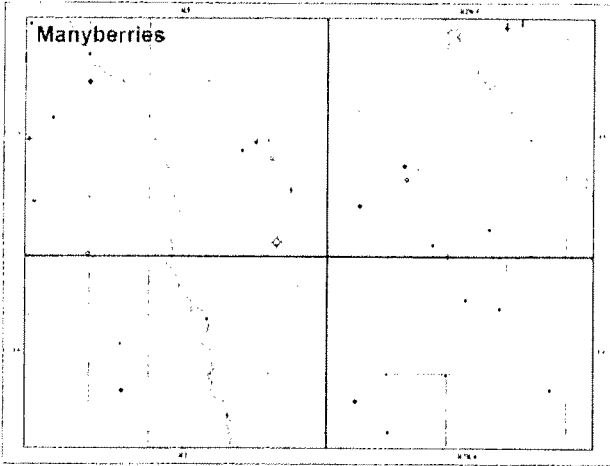
Location							Status	Formation	Operator	PPRL WI (%)
isd	sec	twp	rge	mer						
00	15	01	015	17	4	0	SI Gas	Glauconite	Power Play	100



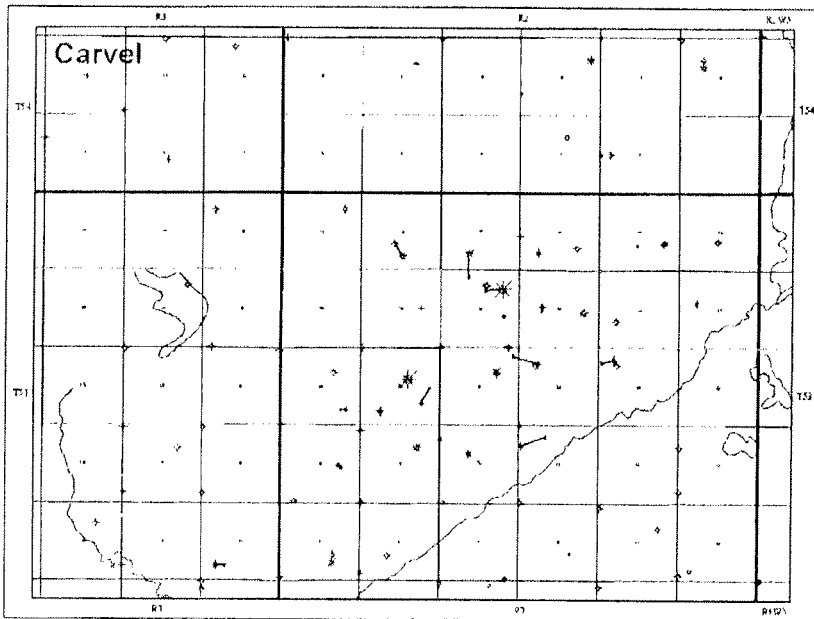
Cord Resource Management Limited  
 #820, 717 7th Avenue S.W.  
 Calgary, Alberta, T2P 0Z3  
 as agent for Hardie & Kelly Inc.

Rick Nixon 403-266-3363

Dale Brand 403-266-3363



Power Play holds a 100% working interest in one section of land at Manyberries, on which it has one abandoned well.



Power Play holds a 100% working interest in two sections of land on which it has drilled two Belly River natural gas wells. Both wells are currently shut-in.

**Carvel Reserves**

No reserves have been assigned to the *Carvel* property.

**Carvel Well List**

Isd	sec	Location			mer	Status	Formation	Operator	PPRL Wi (%)	
		twp	rge	mer						
00	10	20	053	02	5	0	Susp Gas	Belly River	Power Play	100
00	16	28	053	02	5	0	Susp Gas	Belly River	Power Play	100

# **EXHIBIT B**

## ASSET PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made effective the 1st day of September, 2010

BETWEEN:

**HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (hereinafter called the “**Vendor**”)

OF THE FIRST PART

- and -

**Bowood Energy Ltd.**, a body corporate having an office in the City of Calgary, in the Province of Alberta (hereinafter called the “**Purchaser**”)

OF THE SECOND PART

WHEREAS the Vendor is a receiver appointed by the Court;

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

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

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, including the recitals the Schedules and this Article 1, the following terms shall have the respective meanings hereby assigned to them:

- (a) “**Abandonment and Reclamation Obligations**” means all obligations under common law, the Leases and the Regulations to:
  - (i) abandon the Wells;
  - (ii) decommission and remove the Tangibles, including foundations and related structures; and
  - (iii) restore, remediate and reclaim the lands to which the same relate.

- (b) **“AFEs”** means all authorities for expenditure, operations’ notices and mail ballots, if any, governing the conduct of, or payment for, any activity or operation on or with respect to any of the Assets and identified on Schedule A.3;
- (c) **“Affiliate”** has the meaning attributed thereto in the *Business Corporations Act* (Alberta);
- (d) **“Agreement”** means this document, together with the Schedules attached hereto and made a part hereof;
- (e) **“Approval and Vesting Order”** means an order or orders to be granted by the Court which authorizes or ratifies Vendor’s execution and performance of this Agreement, substantially in the form contained in Schedule B of this Agreement;
- (f) **“Assets”** means Power Play’s entire right, title, estate and interest in and to the Petroleum and Natural Gas Rights, the Tangibles, the Seismic Data and the Miscellaneous Interests, but in each case subject to the Permitted Encumbrances;
- (g) **“Base Price”** means the Purchase Price but prior to any adjustments being made as provided herein;
- (h) **“Business Day”** means any day other than a Saturday, Sunday or statutory holiday observed by banks in Calgary, Alberta;
- (i) **“Certificate”** is the form of certificate to be provided by the Purchaser pursuant to Clause 5.2 substantially in the form attached as Schedule D;
- (j) **“Claims”** means all claims against Power Play or its Affiliates or against the Assets of every nature of kind whatsoever and howsoever arising including, without limiting the generality of the foregoing, all encumbrances, liens, charges, pledges, mortgages and security interests, but excluding Permitted Encumbrances and any security for borrowings made by the Receiver;
- (k) **“Closing”** means the execution and exchange of the Specific Conveyances and the General Conveyance on the Closing Date, the delivery by Purchaser of the Certificate and the Purchase Price, and the transfer of the Assets to the Purchaser; the Closing shall occur at the offices of Davis LLP at 1000, 250-2<sup>nd</sup> Street S.W. in the City of Calgary in the Province of Alberta;
- (l) **“Closing Date”** means the later of:
  - (i) September 30, 2010, and
  - (ii) the second Business Day following the date of grant of the Approval and Vesting Order
  - (iii) in each case at the hour of 3:00 p.m. (local time) at which Closing is to occur as the same may be extended by agreement of the Parties, acting reasonably

- (m) **“Court”** means the Court of Queen’s Bench of Alberta;
- (n) **“Effective Date”** means September 1, 2010 at the hour of 12:01 A.M. local time in Calgary, Alberta;
- (o) **“ERCB”** means the Energy Resources Conservation Board of Alberta and predecessors or successors thereof;
- (p) **“Execution Date”** means the date on which the Parties execute this Agreement;
- (q) **“Facilities”** means Power Play’s entire interest in and to all production facilities (downstream of the wellhead of any Well) including flow lines, and any dehydration or other field processing or storage facilities located on the Lands, for the purpose of transportation, storage and processing of Petroleum Substances, including but not limited to those identified in Schedule A.4;
- (r) **“General Conveyance”** means a document substantially in the form annexed hereto as Schedule C;
- (s) **“Governmental Authority”** means any government or political subdivision thereof, any agency of government appointed pursuant to the Regulations and any other body or agency having, or purporting to have, authority over the Assets or any operation or activity thereon or with respect thereto;
- (t) **“GST”** means the goods and services tax payable pursuant to the *Excise Tax Act*, 1985 R.S.C., c. E-15, as amended, and the regulations thereunder;
- (u) **“Power Play”** means Power Play Resources Ltd.;
- (v) **“Lands”** means the lands set forth and described in Schedule A.1, insofar as rights to the Petroleum Substances underlying those lands are granted by the Leases;
- (w) **“Leases”** means the leases, licences, permits and other documents of title set forth and described in Schedule A.1, by virtue of which the holder thereof is entitled to drill for, win, take, own or remove the Petroleum Substances within, upon or under the Lands or by virtue of which the holder thereof is deemed to be entitled to a share of Petroleum Substances removed from the Lands or any lands with which the Lands are pooled or unitized and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefore;
- (x) **“Major Agreements”** means those agreements, if any, identified in Schedule A.2 respecting the processing, treating, sale, transmission and marketing of Petroleum Substances or respecting the operation of any Wells;
- (y) **“Miscellaneous Interests”** means Power Play’s entire interest in and to all property, assets and rights on or with respect to the Lands, other than the Petroleum and Natural Gas Rights and the Tangibles, to the extent such property, assets and rights pertain to the

Petroleum and Natural Gas Rights or the Tangibles, or any rights relating thereto, including, without limitation of the generality of the foregoing, the entire interest of Power Play in:

- (i) all contracts, agreements and documents, to the extent that they relate directly to the Petroleum and Natural Gas Rights or the Tangibles, including agreements for the sale, processing or transportation of Petroleum Substances;
- (ii) all rights to enter upon, use and occupy the surface of any lands overlying the Lands, or any lands upon which any Tangibles are located or of any lands to be crossed in order to gain access to any of the Lands or the Tangibles; and
- (iii) copies of engineering records, files, reports and data that, in the Vendor's reasonable judgement, relate directly to the Petroleum and Natural Gas Rights, any Well or the Tangibles.

Unless otherwise agreed in writing by the Parties, however, the Miscellaneous Interests shall not include agreements, documents or data to the extent that: (i) they pertain to Power Play's proprietary technology or interpretations; (ii) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Power Play to any assignee which is not an Affiliate of Power Play; or (iii) they comprise the Vendor's tax and financial records, and economic evaluations.

(z) **"Party"** means any Person bound by this Agreement.

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

- (i) all encumbrances, overriding royalties, net profits interests and other burdens identified in Schedule A;
- (ii) any Right of First Refusal or any similar restriction applicable to any of the Assets,
- (iii) the terms and conditions of

(iii)(A) the Leases, including, without limitation, the requirement to pay any rentals or royalties to the grantor thereof to maintain the Leases 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 Leases;

(B) the Major Agreements; and

(C) the AFEs;

- (iv) the right reserved to or vested in any grantor, government or other public authority by the term of any Lease or by the Regulations to terminate any Lease;
- (v) easements, rights of way, servitudes or other similar rights in land, including, without in any way limiting the generality of the foregoing, 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;
- (vi) 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, but excluding all such taxes incurred up to the Effective Date that have not been paid;
- (vii) agreements for the sale, processing or transportation of Petroleum Substances, which are terminable on not more than thirty (30) days notice (without an early termination penalty or other cost);
- (viii) any obligation of Power Play to hold any portion of its interest in and to any of the Assets in trust for Third Parties;
- (ix) any authority under the Regulations and any rights reserved to or vested in any municipality or Governmental Authority to control or regulate any of the Assets in any manner;
- (x) 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 Power Play's share of the costs and expenses thereof which are not due or delinquent on the Effective Date or, if then due or delinquent are being contested in good faith by the Vendor on the Effective Date;
- (xi) 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;
- (xii) agreements and plans relating to pooling or unitization of any of the Lands;
- (xiii) the agreements, identified in Schedule A.2 respecting the processing, treating or transmission of Petroleum Substances or respecting the operation of Wells by contract field operators;
- (xiv) provisions for penalties and forfeitures under agreements as a consequence of nonparticipation in operations; and

- (xv) 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;
- (bb) **“Person”** includes individuals, executors, administrators, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities;
- (cc) **“Petroleum and Natural Gas Rights”** means the entire interest of Power Play, as described in Schedule A-1 in and to the Lands and, insofar as they pertain to the Lands and the Leases, and lands with which the Lands are pooled or unitized;
- (dd) **“Petroleum Substances”** means Power Play’s entire interest in and to petroleum, natural gas, and related hydrocarbons and every other mineral or substance whether hydrocarbon or not, produced in association therewith, or any of them, the right to explore for which, or an interest in which, is granted pursuant to the Leases, but only insofar as they pertain to the Lands;
- (ee) **“Pipelines”** means Power Play’s entire right, title and interest in and to the pipelines, if any, identified in Schedule A.6
- (ff) **“Prime Rate”** means the annual rate of interest designated as the base rate, by the main branch in Calgary of the National Bank of Canada, for the determination of interest rates payable on Canadian dollar demand loans to its preferred commercial customers, as such rate may change from time to time;
- (gg) **“Purchase Price”** means the amount payable by the Purchaser to the Vendor for the Assets pursuant to Article 2, adjusted as provided for herein;
- (hh) **“Receiver”** means Hardie & Kelly Inc., in its capacity as Receiver of the current and future assets, undertakings and properties of Power Play, appointed by the Court under action number 1001-08669 on 25 June 2010 (the “Receivership Order”) to facilitate the sale of the Assets;
- (ii) **“Regulations”** means all statutes, laws, rules, orders and regulations in effect from time to time and made by any Governmental Authority;
- (jj) **“Right of First Refusal”** means any preferential right held by a Third Party to purchase any of the Assets;
- (kk) **“Seismic Data”** means, all of Power Play’s proprietary two dimensional (“2D”) and three dimensional (“3D”) seismic and geophysical data, including reproducible copies of all field tapes; all final processed stacked tapes, including migrations; segP1 format survey floppy disk and all basic field data, including shot point maps, observer reports, driller reports, computer printed survey audits, and monitor records; and, in the case of 3D seismic, the 3D surveys, bin disks, and bin maps, if any, as set out in Schedule A.7

- (ll) **“Specific Conveyances”** means all conveyances, assignments, transfers, registerable transfers, novations, notice of assignments and other documents and instruments that are reasonably required or desirable to convey, assign and transfer the Assets to the Purchaser and to novate the Purchaser or such nominee in the place and stead of Power Play with respect to the Assets;
- (mm) **“Tangibles”** means the entire interest of Power Play, whether leased, rented or owned, in and to all tangible depreciable property, real property (other than the Leases) and assets that are:
  - (i) located in or on the Lands and used, or intended for use, in connection with production, processing, gathering, storage, treatment or transportation operations respecting the Petroleum Substances, including, without limitation, the Wells (including the wellbores, casing, production tubing and wellheads thereof), the Facilities and the Pipelines; and
  - (ii) any additional items or equipment, whether located on or off the Lands that are related to the Assets including any rental equipment (but, with respect to rental equipment, limited to Power Play’s right to convey its lessee’s interest therein and, in any event, excluding any proprietary information technology owned by Third Parties and licensed to Power Play); and
  - (iii) any additional items or equipment, whether located on or off the Lands that are indicated in Schedule A.4 to be specifically included as Tangibles;
- (nn) **“Third Party”** means any Person other than the Vendor and Purchaser;
- (oo) **“Wells”** means the Power Play’s interest in and to all producing, suspended, abandoned, shut-in, injection, disposal and other wells located on the Lands or any lands pooled or unitized therewith, including, without limitation, the wells listed in Schedule A.5.

## 1.2 Schedules

The following Schedules are attached hereto and made part of this Agreement:

- (a) Schedule A, which includes:
  - A.1 - the Lands, the Leases,
  - A.2 - the Major Agreements,
  - A.3 - the AFEs
  - A.4 - the Facilities
  - A.5 - the Wells
  - A.6 - the Pipelines
  - A.7 - the Seismic
- (b) Schedule B, which is the form of the Approval and Vesting Order;

- (c) Schedule C which is the form of General Conveyance; and
- (d) Schedule D - which is the form of Certificate.

### **1.3 References**

The references “hereunder”, “herein” and “hereof” refer to the provisions of this Agreement, and references to Articles, Clauses, Subclauses, Paragraphs or Subparagraphs herein refer to Articles, Clauses, Subclauses, Paragraphs or Subparagraphs of this Agreement. Any reference to time shall refer to Mountain Standard Time or Mountain Daylight Savings Time during the respective intervals in which each is in force.

### **1.4 Headings**

The headings of the Articles, Clauses, Schedules and any other headings, captions or indices herein are inserted for convenience of reference only and shall not be used in any way in construing or interpreting any provision hereof.

### **1.5 Singular/Plural**

Whenever the singular or masculine or neuter is used in this Agreement or in the Schedules, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires.

### **1.6 Use Of Canadian Funds**

All references to “dollars” or “\$” herein shall refer to lawful currency of Canada unless the contrary is specified or provided for elsewhere in this Agreement.

### **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 the 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 Lease or the Regulations, the term or condition of such Lease or the Regulations shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

**ARTICLE 2  
PURCHASE AND SALE**

**2.1 Agreement Of Purchase And Sale**

Vendor hereby agrees, effective as and from the Effective Date, to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from the Vendor, all of the right, title, estate and interest (whether absolute or contingent, legal or beneficial), if any, of Power Play in and to the Assets, in each case subject to the Permitted Encumbrances and in accordance with the terms of this Agreement.

**2.2 Allocation Of Purchase Price**

The monetary consideration payable by the Purchaser for the Assets is one hundred and twenty-five thousand (\$125,000.00) dollars, and shall be allocated among the Assets as follows:

To Petroleum and Natural Gas Rights	\$100,000.00
To Tangibles	\$24,999.00
To Miscellaneous Interests	\$ 1.00
<b>BASE PRICE</b>	<hr/> \$125,000.00

**2.3 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 Power Play and the Vendor of all and any responsibility or liability therefore.

**2.4 Interest on Base Price**

There shall be added to the Purchase Price an amount equal to interest on the Base Price calculated at the Prime Rate plus 1% from the Effective Date until the Closing Date.

**2.5 Adjustment of Purchase Price**

The Base Price shall be increased or decreased by the net amount of any adjustment determined under Subclause 16.1(f) for the period ending on the Closing Date and, in the event the Base Price is so adjusted, the allocations of the Base Price as specified in Clause 2.2 shall be revised proportionately.

**ARTICLE 3  
INTENTIONALLY DELETED**

**ARTICLE 4  
CONDITIONS OF CLOSING**

**4.1 Required Consents**

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

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#### **4.2 Court Approval**

The Receiver will seek approval of the Court to complete the transactions contemplated by this Agreement, within a reasonable time after execution of this Agreement by the Parties, all as required by the Receivership Order. The obligations of the Parties to complete the transactions contemplated by this Agreement are subject to the condition, which is for the benefit of both Parties, that on or prior to Closing the Vendor shall have obtained the Approval and Vesting Order and no stay or appeal of either order or application to vary either order will be in effect or filed as at the Closing Date. Should this condition not be satisfied, this Agreement will terminate on the Closing Date whereupon neither Party shall have any further obligation hereunder to the other Party.

#### **4.3 Purchaser's Conditions**

The obligation of Purchaser to purchase 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:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and as of the Closing Date;
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been duly and timely performed in all material respects; and
- (c) Vendor shall have performed or complied in all material respects with each of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Closing Date;

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, the Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement in accordance with this Clause 4.3 each of Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in Article 11

#### **4.4 Vendor's Conditions**

The obligation of Vendor to sell and transfer the Assets 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:

- (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) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been duly and timely performed in all material respects;
- (c) Purchaser shall have executed the Specific Conveyances and paid to Vendor the Purchase Price at Closing in the manner provided in this Agreement; and
- (d) Purchaser shall have performed or complied in all material respects with each of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Closing Date;

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, the Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement in accordance with this Clause 4.4 each of Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in Article 11.

#### **4.5 Efforts to Fulfil Conditions of Closing**

Each Party shall proceed diligently and in good faith and use diligent commercial efforts to satisfy and comply with, or assist the other Party in, the satisfaction and compliance with the conditions precedent specified in this Article 4.

#### **4.6 Waiver of Conditions**

The conditions in Clauses 4.3 and 4.4 are for the sole benefit of the Purchaser and Vendor, respectively. A Party ("Benefiting Party") may waive any of the conditions which have been inserted for its benefit, in whole or in part, by written notice to the other Party, without prejudice to any of the rights of the Benefiting Party, including, without limitation, reliance on or enforcement of the representations, warranties or covenants which are preserved and pertain to conditions similar to the condition so waived. However, the Benefiting Party may not waive the existence and operation of any required consent of a Third Party to the Vendor's disposition of any of the Assets.

#### **4.7 Failure to Satisfy Conditions**

In the event any of the conditions in this Article 4 has not been satisfied at or before the Closing Date and such condition has not been waived by the Benefiting Party, the Benefiting Party may terminate this Agreement by written notice to the other Party. However a Benefiting Party may not terminate this Agreement in such manner after Closing and its remedies thereafter, if any, with respect to the failure to satisfy such condition shall be limited to damages.

## **ARTICLE 5 CLOSING**

### **5.1 Closing Date**

Unless otherwise agreed by the Parties, Closing of the transactions contemplated in this Agreement shall occur on the Closing Date.

### **5.2 At Closing**

(a) At Closing Vendor shall:

- (i) have prepared, executed and delivered to the Purchaser the Specific Conveyances;
- (ii) execute and deliver to the Purchaser the General Conveyance;
- (iii) deliver a copy of the preliminary statement of adjustments contemplated under Subclause 16.1(f) and
- (iv) provide to Purchaser a certified copy of the Approval and Vesting Order approved by the Court.

(b) At Closing Purchaser shall execute the Specific Conveyances and shall:

- (i) deliver to the Vendor payment of the Purchase Price, as adjusted herein;
- (ii) deliver to the Vendor a certificate of status evidencing the registration in good standing of the Purchaser in each jurisdiction in which the Lands are located;
- (iii) deliver to the Vendor an executed copy of the Certificate with respect to Purchaser's representations and warranties under this Agreement; and
- (iv) execute and deliver to the Vendor copies of the Specific Conveyances and the General Conveyance.

## **ARTICLE 6 MAINTENANCE OF BUSINESS**

### **6.1 Assets To Be Maintained In Proper Manner**

The Vendor shall continue to maintain the Assets in a proper and prudent manner in accordance with good oil field practice and the Regulations until Closing. The Vendor shall maintain insurance respecting the Assets during the period between the Effective Date and the Closing Date and provided Closing occurs, the proceeds of any such insurance shall be the property of the Purchaser.

## 6.2 Material Commitments

- (a) Until Closing, the Vendor shall not (except as otherwise contemplated in this Agreement), without the prior written consent of the Purchaser:
- (i) voluntarily assume any obligation or commitment with respect to the Assets, where the Vendor's share of the expenditure associated with such obligation or commitment is estimated to exceed \$25,000.00;
  - (ii) surrender or abandon any of the Assets unless so directed by Governmental Authority acting under the Regulations;
  - (iii) amend any agreement or enter into any new agreement respecting the Assets other than renewals, in the ordinary course of business, of agreements in effect on the Effective Date;
  - (iv) propose or initiate the exercise of any right (including bidding rights at Crown sales, rights under area of mutual interest provisions and rights of first refusal) or option relative to, or arising as a result of the ownership of the Assets, or propose or initiate any operations on the Lands which have not been commenced or committed to by the Vendor as of the earlier of the date of this Agreement or the Effective Date, if such exercise or option would result in either an obligation of the Purchaser hereunder after the Effective Date; or
  - (v) grant a security interest or any encumbrance with respect to any of the Assets other than as permitted by the Receivership Order to secure Receiver's borrowings.

However, the Vendor may assume such obligations or commitments and propose or initiate such operations or exercise any such right or option without the prior consent of the Purchaser, if the Vendor reasonably determines that such expenditures or actions are necessary for the protection of life or property, in which case the Vendor shall promptly notify the Purchaser of such intention or actions and the Vendor's estimate of the costs and expenses associated therewith.

- (b) If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in an obligation of the Purchaser pursuant to Subclause 6.2(a), the following Paragraphs shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):
- (i) the Vendor shall promptly give notice of the Proposal to the Purchaser, including with such notice the particulars of such Proposal in reasonable detail;
  - (ii) the Purchaser shall, not later than forty-eight (48) hours prior to the time the Vendor is required to make its election with respect to the Proposal, advise the Vendor, by notice, whether it wishes the Vendor to exercise its rights with respect

to the Proposal on behalf of and at the sole cost of the Purchaser, provided that failure of the Purchaser to make such election within such period shall be deemed to be an election by the Purchaser not to participate in the Proposal;

- (iii) the Vendor shall make the election authorized by the Purchaser with respect to the Proposal within the period during which the Vendor may respond to the Proposal; and
- (iv) the election by the Purchaser not to participate in any Proposal required to preserve the existence of any of the Assets shall not entitle the Purchaser to any reduction of the Purchase Price in the event that the Vendor's interest therein is terminated as a result of such election, and such termination shall not constitute a failure or breach of the Vendor's representations and warranties pertaining to such Assets, notwithstanding Article 4..

### **6.3 Maintenance Of Assets Until Novations Completed**

Following Closing and to the extent that the Purchaser must be, and has not then been, novated into operating agreements or other agreements governing any of the Assets, the following provisions shall apply with respect to such Assets from the Closing Date until the novation has been effected:

- (a) the Vendor shall not initiate any operation with respect to the Assets, except upon the written instruction of the Purchaser or if the Vendor reasonably determines that it is required for the protection of life or property, in which case the Vendor may take such actions as it reasonably determines are required without the written instruction of the Purchaser and shall promptly notify the Purchaser of such intention or actions and the Vendor's estimate of the costs and expenses associated therewith;
- (b) the Vendor shall forthwith provide to the Purchaser all authorizations for expenditure, notices, specific information and other documents the Vendor receives with respect to the Assets, and shall respond to such authorizations for expenditure, notices, information and other documents pursuant to the written instruction of the Purchaser, if received on a timely basis, provided that the Vendor may (but shall not be obligated to) refuse to follow instructions which it reasonably believes to be unlawful, unethical or in conflict with an applicable contract; and
- (c) the Vendor shall forthwith deliver to the Purchaser all revenues, proceeds and other benefits received by the Vendor with respect to the Assets, less the share of the applicable lessor royalties, operating costs, treating, processing and transportation expenses and those other costs and expenses directly associated with the Assets and the production of Petroleum Substances, provided that the Vendor shall not be permitted to deduct from such revenues, proceeds and other benefits any other costs and expenses it incurs as a result of such delivery to the Purchaser.

#### **6.4 Vendor Deemed Agent Of Purchaser**

- (a) Insofar as the Vendor maintains the Assets and takes actions with respect thereto on behalf of the Purchaser pursuant to this Article, the Vendor shall be deemed to have been the duly authorized agent of the Purchaser hereunder. The Purchaser ratifies all actions taken by the Vendor or refrained from being taken by the Vendor pursuant to the terms of this Article 6 in such capacity during such period, with the intention that all such actions shall be deemed to be those of the Purchaser.
- (b) Insofar as the Vendor participates in either operations or the exercise of rights or options as the agent of the Purchaser pursuant to this Article, the Vendor may require the Purchaser to secure the costs to be incurred by the Vendor on behalf of the Purchaser pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) The Purchaser shall indemnify the Vendor and its directors, officers, servants, agents or employees against all liabilities, losses, costs (including legal costs on a solicitor client basis), claims or damages which the Vendor or its directors, officers, servants, agents or employees may suffer or incur as a result of maintaining the Assets as the agent of the Purchaser pursuant to this Article, insofar as such liabilities, losses, costs, claims or damages are not a direct result of the gross negligence or wilful misconduct of the Vendor or its directors, officers, servants, agents or employees. An action or omission of the Vendor or its directors, officers, servants, agents or employees shall not be regarded as gross negligence or wilful misconduct, however, to the extent it was done or omitted to be done in accordance with the instructions of or with the concurrence of the Purchaser.

#### **6.5 Restriction On Purchaser's Proposal Of Operations**

Prior to Closing, the Purchaser shall not, without the written consent of the Vendor, propose to the Vendor, or request the Vendor to propose to others, the conduct of any operations on the Lands or the exercise of any right or option respecting the Assets.

### **ARTICLE 7 REPRESENTATIONS AND WARRANTIES OF PARTIES**

#### **7.1 Vendor's Representations And Warranties**

The Vendor represents and warrants to the Purchaser that, to the best of the Vendor's knowledge and belief:

- (a) **Standing:** The Vendor is the duly appointed Receiver and Receiver and Manager of the assets, undertakings and properties of Power Play
- (b) **Requisite Authority:** The Vendor has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject, provided that Vendor shall have no liability for the discharge by it of any obligation hereunder unless and until the Approval and Vesting Order has been granted;

- (c) **Execution and Enforceability** This Agreement has been validly executed and delivered by the Vendor, and this Agreement and all other documents executed and delivered on behalf of the Vendor hereunder shall, subject to
  - (i) approval of the Court, and
  - (ii) laws relating to bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally, and the discretion of the courts with respect to equitable or discretionary remedies and defenses
  - (iii) constitute valid and binding obligations of the Vendor enforceable in accordance with their respective terms and conditions;
- (d) **Residency for Tax Purposes:** Power Play is not a non resident of Canada within the meaning of the *Income Tax Act* (Canada); and
- (e) **No Finders' Fees:** The Purchaser shall not have any responsibility for any obligation or liability, contingent or otherwise, for brokers' or finders' fees, if any, incurred by the Vendor with respect to the transactions herein.

## 7.2 Purchaser's Representations And Warranties

The Purchaser represents and warrants to the Vendor that:

- (a) **Standing:** The Purchaser is a corporation, duly organized, valid and subsisting under the laws of its jurisdiction of incorporation, and duly registered and authorized to carry on business in each jurisdiction in which the Lands are located;
- (b) **Requisite Authority:** The Purchaser has the requisite capacity, power and authority to execute this Agreement and the Specific Conveyances and to perform the obligations to which it thereby becomes subject;
- (c) **No Conflict:** The execution and delivery of this Agreement and the completion of the purchase of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
  - (i) any term or provision of the charter, by-laws or other governing documents of the Purchaser; or
  - (ii) the Regulations or any judicial order, award, judgement or decree applicable to the Purchaser;
- (d) **Execution and Enforceability:** The Purchaser has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of the Closing Date, the Purchaser shall have taken all actions necessary to authorize and complete the purchase of the Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by the Purchaser. Subject to laws relating to

bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally, and the discretion of the courts with respect to equitable or discretionary remedies and defences, this Agreement and all other documents executed and delivered on behalf of the Purchaser hereunder shall constitute valid and binding obligations of the Purchaser enforceable in accordance with their respective terms and conditions;

- (e) **Residency for Tax Purposes:** The Purchaser is not a non resident of Canada within the meaning of the *Income Tax Act* (Canada);
- (f) **No Sales' Commissions:** The Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees with respect to the transactions herein for which the Vendor shall have any responsibility;
- (g) **Purchaser As Principal:** The Purchaser is acquiring the Assets in its capacity as a principal, and is not purchasing the Assets for the purpose of resale or distribution to a Third Party; and
- (h) **Well Licences:** The Purchaser satisfies all qualification requirements of all Governmental Authorities to purchase, to take a transfer of and to hold the Assets, including without limitation, the requirements of any Governmental Authority to have any of the licences for the Wells and Facilities to be transferred to Purchaser.

### 7.3 Survival Of Representations And Warranties

Each Party acknowledges that the other may rely on the representations and warranties made by such Party pursuant to Clause 7.1 or 7.2, as the case may be. Subject to Subclause 6.2(b)(iv), the representations and warranties in Clauses 7.1 and 7.2 shall be true on the Effective Date and on the Closing Date, and such representations and warranties shall continue in full force and effect and shall survive the Closing Date for a period of ninety (90) days, for the benefit of the Party to which such representations and warranties were made. In the absence of fraud, however, no claim or action shall be commenced with respect to a breach of any such representation or warranty, unless, within such period, written notice specifying such breach in reasonable detail has been provided to the Party which made such representation or warranty.

### 7.4 No Merger

The representations and warranties in Clauses 7.1 and 7.2 shall be deemed to apply to all Specific Conveyances conveying any of the Assets from Power Play to the Purchaser. There shall not be any merger of any of such representations or warranties in such Specific Conveyances, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

## **7.5 No Additional Representations Or Warranties By Vendor**

- (a) The Vendor hereby expressly negates any representations or warranties, whether written or verbal, made by the Vendor, its agents, servants or employees except as expressly stated in Clause 7.1 and in particular, without limiting the generality of the foregoing, the Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated (orally or in writing) to the Purchaser or any of its employees, agents, consultants or representatives. 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 the Vendor, express or implied, arising at law, by statute or 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 the Vendor, express or implied, arising at law, by statute or in equity or otherwise with respect to:
- (i) the title of Power Play to any of the Assets;
  - (ii) the value of the Assets;
  - (iii) the quality, condition, fitness, merchantability or serviceability of the Assets;
  - (iv) the suitability of the Assets use for any purpose; or
  - (v) compliance by the Vendor or Power Play or any of the Assets with the Regulations.
- (b) Without restricting the generality of the foregoing, the Purchaser acknowledges the disclaimers by the Vendor under Clause 7.5 and Purchaser confirms that it has made its own independent investigation, analysis, evaluation and inspection of the Vendor's interests in the Assets and the state and condition thereof and that it has relied solely on such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Except with respect to the representations and warranties in Clause 7.1 or in the event of fraud, the Purchaser forever releases and discharges the Vendor and its directors, officers, servants, agents and employees from any claims and all liability to the Purchaser or the 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 the Purchaser by the Vendor or its directors, officers, servants, agents or employees prior to or pursuant to this Agreement, including, without limitation, any evaluations, projections, reports and interpretive or non factual materials prepared by or for the Vendor, or otherwise in the Vendor's possession.

**ARTICLE 8  
LIABILITY AND INDEMNIFICATION**

**8.1 Responsibility Of Purchaser**

Provided that Closing has occurred, the Purchaser shall:

- (a) be liable to the Vendor for all losses, costs, damages and expenses whatsoever which the Vendor may suffer, sustain, pay or incur; and
- (b) indemnify and save the Vendor and its directors, officers, servants, agents and employees harmless from and against all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by the Vendor, its directors, officers, servants, agents or employees or which they may sustain, pay or incur;

as a result of any matter or thing arising out of, resulting from, attributable to or connected with the Assets and occurring or accruing subsequent to the Effective Date or arising from the breach of any representation, warranty or covenant of the Purchaser contained in this Agreement, except any losses, costs, damages, expense, claims, liabilities, actions, proceedings and demands to the extent that the same either are reimbursable by insurance maintained by the Vendor or are caused by the gross negligence or wilful misconduct of the Vendor, its directors, officers, servants, agents, employees or assigns. The responsibility prescribed by this Clause, however, does not provide either an extension of any representation or warranty contained in Clause 7.1 or an additional remedy for the Purchaser's breach of such a representation or warranty.

**8.2 Assets Acquired On "As Is" Basis**

Without limitation to the provisions of Clause 8.1, the Purchaser acknowledges that it is acquiring the Assets on an "as is" basis, as of the Effective Date. The 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 the Vendor has provided the Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of the Purchaser (insofar as the Vendor could reasonably provide such access) and that the Purchaser is not relying upon any representation or warranty of the Vendor as to the condition, environmental or otherwise, of the Assets, except as is specifically made pursuant to Clause 7.1. Provided that Closing has occurred, the Purchaser further agrees that, as of the Effective Date, it shall:

- (a) be solely liable and responsible for any and all losses, costs, damages and expenses which the Vendor may suffer, sustain, pay or incur; and
- (b) indemnify and save the Vendor and its directors, officers, servants, agents and employees harmless from any and all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by the Vendor, its directors, officers, servants, agents or employees or which they may sustain, pay or incur;

as a direct result of any matter or thing arising out of, resulting from, attributable to or connected with acts or omissions pertaining to environmental damage or contamination or other environmental problems pertaining to the Assets, however or by whomever the same occurred, whether such claims, demands, losses, costs, risks or expenses arose prior or subsequent to the Effective Date including any matters relating to:

- (i) surface, underground, air, groundwater or surface contamination;
- (ii) the abandonment or plugging of any Wells;
- (iii) the Abandonment and Reclamation Costs of any of the Assets;
- (iv) the breach of any Regulations, as the same relate to the environment, in effect at any time; and
- (v) the removal of or failure to remove any foundations, structure or equipment from the Lands.

Once Closing has occurred, the Purchaser shall be solely responsible for all of the foregoing environmental liabilities respecting the Lands and the Abandonment and Reclamation Obligations as between the Vendor and the Purchaser, and hereby releases the Vendor from any claims the Purchaser may have against the Vendor with respect to all such liabilities and responsibilities, except for any claims which the Purchaser may have for the breach of a representation or warranty made by the Vendor pursuant to Clause 7.1.

### **8.3 No Merger Of Legal Responsibilities**

The liabilities and indemnities created in this Article shall be deemed to apply to, and shall not merge in, all and any Specific Conveyances conveying any of the Assets from Power Play to the Purchaser, notwithstanding the terms of such Specific Conveyances, the Regulations or any rule of law or equity to the contrary, and all such rules are hereby waived.

### **8.4 Substitution And Subrogation**

Insofar as is possible, each Party shall have full rights of substitution and subrogation in and to all covenants, representations and warranties by others previously given or made in respect of the Assets or any of them.

### **8.5 Responsibility Extends To Legal Costs**

Notwithstanding any provision to the contrary contained in this Article, references to costs in the liability and indemnification obligations prescribed by Clauses 8.1 and 8.2 shall be deemed to include reasonable legal costs on a solicitor client basis.

## **ARTICLE 9 RIGHTS OF FIRST REFUSAL**

### **9.1 Preferential Right Of Purchase**

- (a) If any of the Assets is subject to a preferential right of purchase or similar restriction, or if the disposition contemplated herein requires the consent of any Third Party, the Vendor

shall promptly serve all notices as are required under such preferential purchase or consent provision and advise the Purchaser in writing which of the Assets are subject to preferential rights of purchase or other similar restriction. Unless otherwise agreed by the Purchaser, each such notice shall include a request for a waiver of any preferential or similar right to purchase any of the Assets and for the granting of any consent that may be required.

- (b) The Purchaser shall provide to the Vendor the value placed by the Purchaser, for the purposes of this Agreement, on any of the Assets with respect to which the Vendor is required to give notice pursuant to this Clause. Should any Third Party elect to exercise its preferential right of purchase, (i) that portion of the Assets shall be deemed to be removed from the definition of Assets and the description of the Assets contained in Schedule A shall be deemed to be amended to exclude such Assets, (ii) such Assets shall not be conveyed to the Purchaser and (iii) the Purchase Price shall be reduced by an amount equal to the bona fide value allocated to such Assets by the Purchaser and the GST and any other applicable taxes based on the Purchase Price, if any, shall be reduced accordingly. Notwithstanding the foregoing, Purchaser shall be liable to Vendor for any amount of the Purchase Price allocated by it to any Lands subject to an exercised Right of First Refusal which is determined, following any arbitration initiated by the Third Party holding such right, to be in excess of the arbitrated value of the Lands subject to such right.

## **9.2 Operatorship And Third Parties**

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

## **ARTICLE 10 PURCHASER'S REVIEW**

### **10.1 Access to Records**

Commencing on the Execution Date and thereafter until Closing, Vendor shall grant to Purchaser and its duly authorized representatives, all reasonable access required by it to the records comprising Miscellaneous Interests in Vendor's possession or control relating to the ownership and operation of the Assets. Subject to the terms of this Agreement regarding Confidentiality, Purchaser shall have the right, at its sole cost and expense to make copies and extracts of any such records provided that, if Closing does not occur hereunder, all such copies or extracts shall be return by Purchaser to Vendor.

### **10.2 Delivery of Records**

On or forthwith after Closing, Vendor shall deliver all records referred to in Clause 10.1, to Purchaser as directed by Purchaser, all at Purchaser's sole risk and cost.

## **ARTICLE 11 CONFIDENTIALITY**

### **11.1 Purchaser's Obligation To Maintain Information as Confidential**

Information respecting the Assets shall be retained in confidence and used only for the purposes of this Agreement and shall not be disclosed, used, dealt with or exploited by Purchaser for any other purpose, provided that upon Closing, the Purchaser's rights to use or disclose such information shall be subject only to any operating, unit or other agreements that may apply thereto. Any additional information obtained as a result of such access which does not relate to the Assets shall continue to be treated as confidential and shall not be disclosed, used, dealt with or exploited by the Purchaser without the prior written consent of the Vendor. However, the restrictions on disclosure and use of information in this Agreement shall not apply to information to the extent it:

- (a) is or becomes publicly available through no act or omission of the Purchaser or its consultants or advisors;
- (b) is subsequently obtained lawfully from a Third Party, which, after reasonable inquiry, the Purchaser does not know to be bound to the Vendor to restrict the use or disclosure of such information; or
- (c) is already in the Purchaser's possession at the time of disclosure, without restriction on disclosure.

However, specific items of information shall not be considered to be in the public domain merely because more general information respecting the Assets is in the public domain.

### **11.2 Consultants And Advisors Bound**

If the Purchaser employs consultants, advisors or agents to assist in its review of the Assets, the Purchaser shall be responsible to the Vendor for ensuring that such consultants, advisors and agents comply with the restrictions on the use and disclosure of information set forth in this Article 11.

## **ARTICLE 12 WAIVER**

### **12.1 Waiver Must Be In Writing**

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.

## **ARTICLE 13 ASSIGNMENT**

### **13.1 Assignments Before Closing**

Prior to Closing, neither Party may assign its interest in or under this Agreement or to the Assets without the prior written consent of the other Party, except as may be required by the Vendor to comply with its obligations respecting any Right of First Refusal, as provided in Article 9.

### **13.2 Assignments By Purchaser After Closing**

No assignment, transfer or other disposition of this Agreement or all or any portion of the Assets by the Purchaser after Closing shall relieve the Purchaser from its obligations to the Vendor herein. The Vendor shall have the option to claim payment or performance of such obligations from the Purchaser or the assignee or transferee, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle the Vendor to receive duplicate payment or performance of the same obligation.

## **ARTICLE 14 NOTICE**

### **14.1 Service Of Notice**

Notwithstanding anything to the contrary contained herein, all notices required or permitted hereunder shall be in writing. Any notice to be given hereunder shall be deemed to be served properly if served in any of the following modes:

- (a) personally, by delivering the notice to the Party on which it is to be served at that Party's address for service. Personally served notices shall be deemed to be received by the addressee when actually delivered as aforesaid, provided that such delivery shall be during normal business hours on any day other than a Saturday, Sunday or statutory holiday in Alberta. If a notice is not delivered on such a day or is delivered after the addressee's normal business hours, such notice shall be deemed to have been received by such Party at the commencement of the addressee's first business day next following the time of the delivery;
- (b) by telecopier or facsimile (or by any other like method by which a written message may be sent) directed to the Party on which it is to be served at that Party's address for service. A notice so served shall be deemed to be received by the addressee when actually received by it, if received within normal business hours on any day other than a Saturday, Sunday or statutory holiday in Alberta or at the commencement of the next ensuing business day following transmission if such notice is not received during such normal business hours; or
- (c) by mailing it first class (air mail if to or from a location outside of Canada) registered post, postage prepaid, directed to the Party on which it is to be served at that Party's

address for service. Notices so served shall be deemed to be received by the addressee at noon, local time, on the earlier of the actual date of receipt or the fourth (4th) day (excluding Saturdays, Sundays and statutory holidays in Alberta) following the mailing thereof. However, if postal service is (or is reasonably anticipated to be) interrupted or operating with unusual delay, notice shall not be served by such means during such interruption or period of delay.

#### **14.2 Addresses For Notices**

The address for service of notices hereunder of each of the Parties shall be as follows:

VENDOR:           Hardie & Kelly Inc.  
                      c/o Davis LLP  
                      1000, 250-2<sup>nd</sup> Street S.W.  
                      Calgary AB T2P 0C1  
                      attn: Robert M. Perrin  
  
                      Fax: 403-697-6608

PURCHASER:       Bowood Energy Ltd.  
                      1850, 717-7<sup>th</sup> Ave. S.W.  
                      Calgary AB T2P 0Z3  
                      attn: Land Department  
  
                      Fax: 403-263-8555

#### **14.3 Right To Change Address**

A Party may change its address for service by notice to the other Party, and such changed address for service thereafter shall be effective for all purposes of this Agreement.

### **ARTICLE 15 PUBLIC ANNOUNCEMENTS**

#### **15.1 Approval Required for Press Releases**

- (a) The Parties shall cooperate with each other in relaying to Third Parties information concerning this Agreement and shall receive written approval from the other Party of all press releases and other releases of information prior to publication which approval may not be unreasonably withheld. However, nothing in this Clause shall prevent a Party from furnishing any information to any Governmental Authority or to the public, insofar only as the same may be required by the Regulations or securities laws applicable to such Party, provided that a Party which proposes to make such a public disclosure shall, to the

extent reasonably possible, provide an officer of the other Party with a draft of such statement a sufficient time prior to its release to enable such other Party to review such draft and advise that Party of any comments it may have with respect thereto.

- (b) Notwithstanding Subclause 15.1(a), the Vendor shall be permitted to disclose information pertaining to this Agreement and the identity of the Purchaser, to the extent required to enable the Vendor to fulfil its obligations pertaining to Rights of First Refusal and other Third Party rights, in accordance with Article 9 and such disclosure as Vendor believes is necessary or advisable to obtain the Approval Order and the Vesting Order.

## **15.2 Signs And Notification To Governmental Authorities**

Following Closing, the Vendor may remove any signs which indicate the Power Play's ownership or operation of the Assets. If the Purchaser will be the operator of the Assets, it shall be the responsibility of the Purchaser to erect or install any signs required by Governmental Authorities which pertain to the Assets. In addition, the Purchaser shall be responsible for advising all Governmental Authorities, contractors, suppliers and other affected Third Parties of the Purchaser's interest in the Assets.

## **ARTICLE 16 ADJUSTMENT PROVISIONS**

### **16.1 Adjustments**

- (a) Except as otherwise provided herein, the Parties will adjust and apportion expenditures and revenues of every kind and nature incurred, payable or paid with respect to the Assets including operating, maintenance (which for clarity shall include, but not be limited to, costs and charges incurred by Vendor with respect to services rendered by Cord Resource Management Limited and the cost of insurance premiums maintained with respect to the Assets), development and capital costs, proceeds from the sale of Petroleum Substances, royalties, property taxes, gas cost or similar allowances (as stipulated in the Regulations), prepayments, deposits, duties, taxes and assessments (other than taxes assessed on net income) as at and from the Effective Date through to and including the Closing Date. All costs incurred in connection with work performed or goods and services provided in respect of the Assets will be deemed to have accrued as of the date on which the work was performed or the goods or services provided, regardless of the date the costs thereof became payable.
- (b) The Vendor is entitled to the revenues and benefits from the ownership and operation of the Assets accrued prior to the Effective Date and is responsible for and will pay the expenditures pertaining to the ownership, operation and development of the Assets incurred prior to the Effective Date.
- (c) The Purchaser is entitled to the revenues and benefits from the ownership and operation of the Assets accrued on and after the Effective Date and is responsible for and will pay

the expenditures pertaining to the ownership, operation and development of the Assets incurred after the Effective Date.

- (d) All Petroleum Substances produced as of the Effective Date but not delivered to the purchaser of those Petroleum Substances, including Petroleum Substances in storage, will not comprise part of the Assets, provided that sulphur comprising part of a base pad or storage block, if any, will form part of the Assets. Petroleum Substances not comprising part of the Assets will remain the property of the Vendor and proceeds from the sale and the expenses pertaining to those Petroleum Substances, will be for the Vendor's account, with sales of those Petroleum Substances deemed to occur on a "first in" "first out" basis.
- (e) There will be no adjustments for royalty tax credits or similar incentives that accrue to a Party because of financial or organizational attributes specific to it, other than gas cost allowances (or similar allowances) under the Regulations.
- (f) Vendor shall prepare, in consultation with Purchaser, and table at Closing, Vendor's best good faith estimate of the adjustments contemplated under this Article for the period ending on the Closing Date. If the net amount of such adjustments indicate an amount due to Vendor hereunder, such amount shall be added to the Purchase Price. If the net amount of such adjustments indicate an amount due to Purchaser hereunder, such amount shall be a credit against the Purchase Price.
- (g) Purchaser shall prepare, in consultation with Vendor, and provide to Vendor within sixty (60) days following Closing, Purchaser's best good faith estimate of the adjustments contemplated under this Article. If the net amount of such adjustments indicate an amount due to Vendor hereunder, such amount shall be paid by Purchaser to Vendor and if the net amount of such adjustments indicate an amount due to Purchaser hereunder, such amount shall be paid by Vendor to Purchaser.
- (h) All statements prepared under this Article will be prepared as contemplated herein and in accordance with generally accepted accounting principles applying the accrual method. Purchaser shall report to Governmental Authorities all net revenue and pay all royalties and taxes on the net revenue from the Effective Date.

## **ARTICLE 17 MISCELLANEOUS PROVISIONS**

### **17.1 Further Assurances**

At the Closing Date and thereafter as may be necessary, the Parties shall execute, acknowledge and deliver such instruments and take such other actions as may be reasonably necessary to fulfil their respective obligations under this Agreement.

Purchaser shall provide Vendor with reasonable access to, and Vendor may retain or subsequently obtain from Purchaser copies or photocopies of, any of the documents comprised in Miscellaneous Interests that Vendor considers necessary to enable it to comply with any laws or the requirements of any authority or to conduct audits relating to the period prior to the Closing Date. Such right of access shall terminate twenty-four (24) months after the Closing Date.

### **17.2 Governing Law**

This Agreement shall be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta. Each Party accepts the exclusive jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

### **17.3 Time**

Time shall be of the essence in this Agreement

### **17.4 No Amendment Except In Writing**

This Agreement may be amended only by written instrument executed by the Vendor and the Purchaser.

### **17.5 Consequences Of Termination**

If this Agreement is terminated in accordance with its terms prior to Closing, then except for and subject to the provisions of Article 11 and the covenants, warranties, representations or other obligations breached prior to the time at which such termination occurs, the Parties shall be released from all of their obligations under this Agreement. If this Agreement is so terminated, the Purchaser shall promptly return to the Vendor all materials delivered to the Purchaser by the Vendor hereunder, together with all copies of them that may have been made by or for the Purchaser.

### **17.6 Supersedes Earlier Agreements**

This Agreement supersedes all other agreements between the Parties with respect to the Assets and expresses the entire agreement of the Parties with respect to the transactions contained herein.

### **17.7 Enurement**

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

IN WITNESS WHEREOF the Parties have duly executed this Agreement.

**HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity .

**.Bowood Energy Ltd.**

Per:

\_\_\_\_\_

Per:

\_\_\_\_\_

This is SCHEDULE A.1 to an Agreement of Purchase and Sale dated the 1st day of September 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

THE LANDS AND THE LEASES  
(see attached)

This is SCHEDULE A2 to an Agreement of Purchase and Sale dated the 1<sup>st</sup> day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.**, and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "Major Agreements"

none

This is SCHEDULE A.3 to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "AFEs"

none

This is SCHEDULE A.4 to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "Facilities"

none

This is SCHEDULE A.5 to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "Wells"

(see attached)

This is SCHEDULE A6 to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "Pipelines"

(see attached)

This is SCHEDULE A.7 to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "Seismic"

(see attached)

This is SCHEDULE B to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "Approval and Vesting Order"

(see attached)

This is SCHEDULE C to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

the "General Conveyance"

(see attached)

This is SCHEDULE D to an Agreement of Purchase and Sale dated the 1st day of September, 2010 and made between **HARDIE & KELLY INC.**, in its capacity as Receiver of the current and future assets, undertakings and properties of every nature and kind, whatsoever and wheresoever situate of **Power Play Resources Ltd.** and not in its personal capacity (the "Vendor") and **Bowood Energy Ltd.** (the "Purchaser")

**OFFICER'S CERTIFICATE**

**RE: Article 7 of the Agreement of Purchase and Sale ("Agreement") dated ♦, 2010**

Unless otherwise stated, the definitions provided for in the Agreement are adopted in this Certificate.

I, (• Name), (• Position) of (• Name of party) ("the Purchaser") hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the Purchaser contained in Article 7 of the Agreement was true and correct in all material respects as of the Effective Date and is true and correct in all material respects as of the Closing Date.
2. This Certificate is made for and on behalf of the Purchaser and is binding upon it, and I am not incurring and will not incur any personal liability whatsoever with respect to it.
3. This Certificate is made with full knowledge that the Vendor 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 \_\_\_\_\_, 2010.

• (Name of Purchaser)

Per: \_\_\_\_\_

•

# **EXHIBIT C**

**Power Play Resources Ltd., in receivership**  
**Statement of Receipts and Disbursements**  
**as at September 21, 2010**

Oil and gas receivables/revenues	\$ 397,959.95	
Cash on hand	12,411.90	
Sale of furniture	2,150.00	
GST collected	5,783.81	
Miscellaneous	1,611.29	
		419,916.95
Interest charges and legal fees of secured creditor	60,635.38	
Crown and freehold royalties	51,330.24	
Property taxes	45,397.90	
Contract management	45,319.06	
Processing fees	39,496.99	
Processing fee deposit	33,000.00	
Contract field operators	20,888.40	
Oilfield supplies	18,109.75	
Surface and mineral lease rentals	14,950.00	
ERCB annual fee	8,625.82	
GST paid	6,577.70	
Software	3,989.66	
Joint venture billings	3,951.53	
Production accountant	1,537.50	
Miscellaneous	1,352.47	
		355,162.40
Balance of funds on hand		\$ 64,754.55

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

**JUDICIAL DISTRICT OF CALGARY**

BETWEEN:

**NATIONAL BANK OF CANADA**

Plaintiff

- and -

**POWER PLAY RESOURCES LTD.**

Defendant

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**FIRST REPORT OF THE RECEIVER**

---

**DAVIS LLP**

Barristers & Solicitors  
1000 - 250 2<sup>nd</sup> St. SW  
Calgary, Alberta  
T2P 0C1

**Larry B. Robinson, Q.C.**

Phone: 403.698.8715

Fax: 403.697.6609

File No. 77918-1