

## ARRANGEMENT AGREEMENT

**THIS ARRANGEMENT AGREEMENT** is dated as of the 25<sup>th</sup> day of June, 2015.

**BETWEEN:**

**Petro Basin Energy Corp.**, a company incorporated under the laws of the Province of Ontario (“**Petro Basin**”)

- and-

**PBA Acquisitions Corp.**, a company incorporated under the laws of the Province of British Columbia (“**Subco**”)

**AND WHEREAS** Subco was incorporated for the purposes of this plan of arrangement;

**AND WHEREAS** the Parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the *Business Corporations Act* (Ontario);

**AND WHEREAS** the Parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recital and for other matters relating to such arrangement;

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto do hereby covenant and agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following defined terms have the meanings hereinafter set forth:

- (a) “**Agreement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (b) “**Applicable Laws**” means all applicable corporate laws, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders and policies of the securities regulatory authorities in Canada;
- (c) “**Arrangement**” means the arrangement pursuant to Section 182 of the OBCA set forth in the Plan of Arrangement;

- (d) “**Arrangement Provisions**” means of relevant parts of the OBCA;
- (e) “**Arrangement Resolution**” means the special resolution in respect to the Arrangement and other related matters to be considered at the Petro Basin Meeting;
- (f) “**Assets**” means the assets of Petro Basin to be transferred to Subco pursuant to the Arrangement, as more particularly described in Schedule B attached hereto and forming part of this Agreement;
- (g) “**Business Day**” means a day other than a Saturday, Sunday or other than a day when banks in the City of Toronto, Ontario are not generally open for business;
- (h) “**CSE**” means the Canadian Securities Exchange;
- (i) “**CST**” means CST Trust Company;
- (j) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (k) “**Director**” means the Director appointed pursuant to section 278 of the OBCA;
- (l) “**Dissenting Shareholder**” means a Petro Basin Shareholder who validly exercises rights of dissent under the Arrangement and who will be entitled to be paid fair value for his, her or its Petro Basin Shares in accordance with the Interim Order and the Plan of Arrangement;
- (m) “**Dissenting Shares**” means the Petro Basin Shares in respect of which Dissenting Shareholders have exercised a right of dissent;
- (n) “**Effective Date**” means the date shown in the certificate of arrangement issued in accordance with section 183 of the OBCA in respect of the Arrangement, being the Closing Date, or such other date as may be agreed to by the Parties hereto;
- (o) “**Final Order**” means the order of the Court approving the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (p) “**IFRS**” means International Financial Reporting Standards;
- (q) “**Information Circular**” means the management proxy circular of Petro Basin to be sent by Petro Basin to the Petro Basin Shareholders in connection with the Petro Basin Meeting;
- (r) “**Interim Order**” means an interim order of the Court concerning the Arrangement in respect of Petro Basin, containing declarations and directions with respect to the Arrangement and the holding of the Petro Basin Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (s) “**New Shares**” means the new class of common shares without par value which Petro Basin will create pursuant to §3.1 of the Plan of Arrangement and which,

immediately after the Effective Date, will be identical in every relevant respect to the Petro Basin Shares;

(t) “**OBCA**” means the *Business Corporations Act* (Ontario), as amended, including the regulations promulgated thereunder;

(u) “**Parties**” means Petro Basin and the Petro Basin Subsidiaries; and “**Party**” means any one of them;

(v) “**Person**” means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;

(w) “**Petro Basin Class A Shares**” means the renamed and redesignated Petro Basin Shares as described in §3.1 of the Plan of Arrangement;

(x) “**Petro Basin Class A Preferred Shares**” means the Class “A” preferred shares without par value which Petro Basin will create and issue pursuant to §3.1 of the Plan of Arrangement;

(y) “**Petro Basin Meeting**” means the annual and special meeting of the Petro Basin Shareholders to be held to approve this Arrangement Agreement, and any adjournment(s) or postponement(s) thereof;

(z) “**Petro Basin Options**” means share purchase options issued pursuant to the Petro Basin Stock Option Plan;

(aa) “**Petro Basin Shares**” means the common shares without par value in the authorized share capital of Petro Basin, as constituted on the date of this Agreement;

(bb) “**Petro Basin Shareholders**” means the holders from time to time of Petro Basin Shares;

(cc) “**Petro Basin Warrants**” means share purchase warrants of Petro Basin that are outstanding on the Effective Date;

(dd) “**Notice of Meeting**” means the notice of annual and special meeting of the Petro Basin Shareholders in respect of the Petro Basin Meeting;

(ee) “**Plan of Arrangement**” means the plan of arrangement substantially in the form set out in Schedule A to this Agreement, as amended or supplemented from time to time in accordance with Article 6 thereof and Article 6 hereof;

(ff) “**Registered Shareholder**” means a registered holder of Petro Basin Shares as recorded in the shareholder register of Petro Basin maintained by CST;

(gg) “**Subco**” means PBA Acquisitions Corp., a private company incorporated under the *Business Corporations Act* (British Columbia);

(hh) “**Subco Option Plan Resolution**” means an ordinary resolution to be considered by the Petro Basin Shareholders to approve the Subco Option Plan, the full text of which is set out in Schedule “C” to this Arrangement Agreement;

(ii) “**Subco Shares**” means the common shares without par value in the authorized share structure of Subco, as constituted on the date of this Agreement;

(jj) “**Subco Shareholder**” means a holder of Subco Shares; and

(kk) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, all as amended from time to time;

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement (including Schedules A to F hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

## **1.3 Number, etc.**

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and companies and vice versa.

## **1.4 Date for Any Action**

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day and a business day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day and a business day, as applicable, in such place.

## **1.5 Entire Agreement**

This Agreement, together with the agreements and documents herein and therein referred to, constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof.

## **1.6 Currency**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

## **1.7 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS.

## **1.8 References to Legislation**

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

## **1.9 Enforceability**

All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief and general principles of equity).

## **1.10 Schedules**

The following schedules attached hereto are incorporated into and form an integral part of this Agreement:

A - Plan of Arrangement with all schedules attached thereto; and

B - Assets

## **ARTICLE 2 THE ARRANGEMENT**

### **2.1 Plan of Arrangement**

Petro Basin and Subco will forthwith jointly file, proceed with and diligently prosecute an application for an Interim Order providing for, among other things, the calling and holding of the Petro Basin Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution and upon receipt thereof, Petro Basin and Subco will forthwith carry out the terms of the Interim Order to the extent applicable to it. Provided all necessary approvals for the Arrangement Resolution are obtained from the Petro Basin Shareholders, Petro Basin and the Subco shall jointly submit the Arrangement to the Court and apply for the Final Order. Upon issuance of the Final Order and subject to the conditions precedent in Article 5, Petro Basin shall forthwith proceed to file the Final Order and such other documents as may be required to give effect to the Arrangement with the Director pursuant to the Arrangement Provisions, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

## 2.2 Interim Order

The Interim Order shall provide that:

### Petro Basin

- (a) the securities of Petro Basin for which holders shall be entitled to vote on the Arrangement Resolution shall be the Petro Basin Shares;
- (b) the Petro Basin Shareholders shall be entitled to vote on the Arrangement Resolution, with each Petro Basin Shareholder being entitled to one vote for each Petro Basin Share held by such holder;
- (c) the requisite majority for the approval of the Arrangement Resolution shall be:
  - (i) two-thirds of the votes cast by the Petro Basin Shareholders present in person or by proxy at the Petro Basin Meeting; and
  - (ii) a majority of the votes cast by the Petro Basin Shareholders, after excluding the votes cast by those persons whose votes must be excluded pursuant to Multilateral Instrument 61-101 *Protection of Minority Shareholders in Special Transactions*.

## 2.3 Information Circular and Meetings

As promptly as practical following the execution of this Agreement and in compliance with the Interim Order and Applicable Laws:

- (a) Petro Basin shall:
  - (i) prepare the Information Circular and cause such circular to be mailed to the Petro Basin Shareholders and filed with applicable regulatory authorities and other governmental authorities in all jurisdictions where the same are required to be mailed and filed; and
  - (ii) convene the Petro Basin Meeting.

## 2.4 Effective Date

The Arrangement shall become effective in accordance with the terms of the Plan of Arrangement on the Effective Date.

## **ARTICLE 3 COVENANTS**

### **3.1 Covenants Regarding the Arrangement**

From the date hereof until the Effective Date, Petro Basin and Subco will use all reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable efforts:

- (a) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;
- (b) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby; and
- (c) to effect all necessary registrations and filings and submissions of information requested by governmental authorities required to be effected by it in connection with the Arrangement.

### **3.2 Covenants Regarding Execution of Documents**

- (a) Petro Basin and Subco will perform all such acts and things, and execute and deliver all such agreements, notices and other documents and instruments as may reasonably be required to facilitate the carrying out of the intent and purpose of this Agreement.

### **3.3 Giving Effect to the Arrangement**

The Arrangement shall be effected in the following manner:

- (a) The Parties shall proceed forthwith to apply for the Interim Order providing for, among other things, the calling and holding of the Petro Basin Meeting for the purpose of, among other things, considering and, if deemed advisable, approving and adopting the Arrangement;
- (b) If required, the Subco Shareholder(s) shall approve the Arrangement by a special resolution;
- (c) Upon obtaining the Interim Order, Petro Basin shall call the Petro Basin Meeting and mail the Information Circular and related Notice of Meeting and form of Proxy to the Petro Basin Shareholders;
- (d) If the Petro Basin Shareholders approve the Arrangement as set out in §3.3 hereof, Petro Basin shall thereafter (subject to the exercise of any discretionary authority granted to Petro Basin's directors by the Petro Basin Shareholders) take the necessary

actions to submit the Arrangement to the Court for approval and grant of the Final Order; and

(e) Upon receipt of the Final Order, Petro Basin shall, subject to compliance with any of the other conditions provided for in Article 3.3 hereof and to the rights of termination contained in Article 7 hereof, file the material described in §5.1 with the Director in accordance with the terms of the Plan of Arrangement.

### **3.4 Petro Basin Stock Options and Warrants**

No shares, stocks, options or warrants will be issued by Subco to the Petro Basin Shareholders upon the exercise of Petro Basin Stock Options or Warrants.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

### **4.1 Representations and Warranties**

Each of the Parties hereby represents and warrants to the other that.

(a) It is a company duly incorporated and validly subsisting under the laws of its jurisdiction of existence, and has full capacity and authority to enter into this Agreement and to perform its covenants and obligations hereunder;

(b) It has taken all corporate actions necessary to authorize the execution and delivery of this Agreement and this Agreement has been duly executed and delivered by it;

(c) Neither the execution and delivery of this Agreement nor the performance of any of its covenants and obligations hereunder will constitute a material default under, or be in any material contravention or breach of: (i) any provision of its constituting or governing corporate documents, (ii) any judgment, decree, order, law, statute, rule or regulation applicable to it or (iii) any agreement or instrument to which it is a party or by which it is bound; and

(d) No dissolution, winding up, bankruptcy, liquidation or similar proceedings have been commenced or are pending or proposed in respect of it.

## **ARTICLE 5 CONDITIONS PRECEDENT**

### **5.1 Mutual Conditions Precedent**

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the



mutual written consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to Petro Basin and Subco, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Petro Basin and Subco, acting reasonably, on appeal or otherwise;
- (b) the Arrangement Resolution shall have been passed by the Petro Basin Shareholders at the Petro Basin Meeting in accordance with the Arrangement Provisions, the constating documents of Petro Basin, the Interim Order and the requirements of any applicable regulatory authorities;
- (c) the Arrangement and this Agreement, with or without amendment, shall have been approved by the Subco Shareholder(s) to the extent required by law, and in accordance with, the Arrangement Provisions and the constating documents of Subco;
- (d) the Final Order shall have been granted in form and substance satisfactory to Petro Basin and Subco, acting reasonably;
- (e) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders required or necessary or desirable for the completion of the transactions provided for in this Agreement and the Plan of Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, each in form acceptable to Petro Basin and Subco;
- (f) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement and the Arrangement; and
- (g) this Agreement shall not have been terminated under Article 7.

Except for the conditions set forth in this §5.1 which, by their nature, may not be waived, any of the other conditions in this §5.1 may be waived, either in whole or in part, by either Petro Basin or Subco, as the case may be, at its discretion.

## 5.2 Closing

Unless this Agreement is terminated earlier pursuant to the provisions hereof, the parties shall meet at the offices of Petro Basin's lawyer, 1500 – 1055 West Georgia St., Vancouver BC V6E 4N7, at 10:00 a.m. (Vancouver time) on such date as they may mutually agree (the "**Closing Date**"), and each of them shall deliver to the other of them:

- (a) the documents required to be delivered by it hereunder to complete the transactions contemplated hereby, provided that each such document required to be dated the Effective Date shall be dated as of, or become effective on, the Effective Date and shall be held in escrow to be released upon the occurrence of the Effective Date; and

(b) written confirmation as to the satisfaction or waiver by it of the conditions in its favour contained in this Agreement.

### **5.3 Merger of Conditions**

The conditions set out in §5.1 hereof shall be conclusively deemed to have been satisfied, waived or released upon the occurrence of the Effective Date.

### **5.4 Merger of Representations and Warranties**

The representations and warranties in §4.1 shall be conclusively deemed to be correct as of the Effective Date and each shall accordingly merge in and not survive the effectiveness of the Arrangement.

## **ARTICLE 6 AMENDMENT**

### **6.1 Amendment**

This Agreement may at any time and from time to time before or after the holding of the Petro Basin Meeting be amended by written agreement of the Parties hereto without, subject to Applicable Laws, further notice to or authorization on the part of their respective securityholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Petro Basin Shareholder without approval by the Petro Basin Shareholders, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

## **ARTICLE 7 TERMINATION**

### **7.1 Termination**

Subject to §7.2, this Agreement may at any time before or after the holding of the Petro Basin Meeting, and before or after the granting of the Final Order, but in each case prior to the

Effective Date, be terminated by direction of the board of directors of Petro Basin without further action on the part of the Petro Basin Shareholders, or by the board of directors of Subco without further action on the part of the respective Subco Shareholder(s), and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion by the board of directors of Petro Basin or Subco, respectively, to elect to terminate this Agreement and discontinue efforts to effect the Arrangement for whatever reasons it may consider appropriate.

## **7.2 Cessation of Right**

The right of Petro Basin or Subco or any other party to amend or terminate the Plan of Arrangement pursuant to §6.1 and §7.1 shall be extinguished upon the occurrence of the Effective Date.

## **ARTICLE 8 NOTICES**

### **8.1 Notices**

All notices which may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally or sent by e-mail (with an acknowledgment of receipt) and in the case of:

**Petro Basin Energy Corp.:**

1100-888 Dunsmuir St.

Vancouver, British Columbia V6C 3K4

Attention: Morgan Tincher, Chief Executive Officer

Email: mt@smorg.ca

**PBA Acquisitions Corp.:**

1500-1055 West Georgia Street

Vancouver, British Columbia V6E 4N7

Attention: Andrew Cheshire, Director

Email: checshireconsulting@gmail.com

or such other address as the Parties may, from time to time, advise to the other Parties hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such telecopy is received.

## **ARTICLE 9 GENERAL**

### **9.1 Assignment and Enurement**

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns. This Agreement may not be assigned by any party hereto without the prior consent of the other Parties hereto.

### **9.2 Disclosure**

Each Party shall receive the prior consent, not to be unreasonably withheld, of the other Parties prior to issuing or permitting any director, officer, employee or agent to issue, any press release or other written statement with respect to this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing, if any Party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated herein, such disclosure may be made, but that Party will consult with the other Parties as to the wording of such disclosure prior to its being made.

### **9.3 Costs**

Except as contemplated in the Arrangement and herein, each Party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby.

### **9.4 Severability**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

### **9.5 Further Assurances**

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

## **9.6 Time of Essence**

Time shall be of the essence of this Agreement.

## **9.7 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and the Parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of British Columbia. Each of the Parties hereto hereby irrevocably and unconditionally consents to and submits to the jurisdiction of the courts of the Province of British Columbia in respect of all actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agrees not to commence any action, suit or proceeding relating thereto except in such courts) and further agrees that service of any process, summons, notice or document by single registered mail to the addresses of the parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against any Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of British Columbia and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

## **9.8 Waiver**

No waiver by any Party shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

## **9.9 Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

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

PETRO BASIN ENERGY CORP.

*“Morgan Tincher”*

By: Morgan Tincher

Title: Chief Executive Officer

PBA ACQUISITIONS CORP.

*“Andrew Cheshire”*

By: Andrew Cheshire

Title: Director

## SCHEDULE “A” TO THE ARRANGEMENT AGREEMENT

### PLAN OF ARRANGEMENT UNDER THE *BUSINESS CORPORATIONS ACT (ONTARIO)*

#### ARTICLE 1 INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

“**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the proposed arrangement involving Petro Basin, Subco, and the Petro Basin Shareholders pursuant to the Arrangement Provisions on the terms and conditions set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

“**Arrangement Agreement**” means the arrangement agreement dated effective June 25, 2015, between Petro Basin and Subco with respect to the Arrangement, and all amendments thereto;

“**Arrangement Provisions**” means the relevant provisions of the OBCA;

“**Assets**” means the assets of Petro Basin described in Schedule B to the Arrangement Agreement;

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, in the Province of Ontario, for the transaction of banking business;

“**CSE**” means the Canadian Securities Exchange;

“**Conversion Factor**” means 0.10 (subject to adjustment in the event that Petro Basin completes a share consolidation prior to the Effective Date) with respect to Subco as of the close of business on the Share Distribution Record Date;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Depository**” means CST Trust Company;

“**Director**” means the Director appointed pursuant to section 278 of the OBCA;

“**Distributed Subco Shares**” means the Subco Shares that are to be distributed to the Petro Basin Shareholders pursuant to §3.1;

“**Effective Date**” means the date the Arrangement becomes effective under the OBCA;

“**Final Order**” means the final order of the Court approving the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“**Information Circular**” means the management information circular to be sent to the Petro Basin Shareholders in connection with the Petro Basin Meeting;

“**Interim Order**” means the interim order of the Court concerning the Arrangement under the OBCA in respect of the Parties, containing declarations and directions with respect to the Arrangement and the holding of the Petro Basin Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

“**New Shares**” means the new class of common shares without par value which Petro Basin will create pursuant to §3.1 of this Plan of Arrangement and which, immediately after the Effective Date, will be identical in every relevant aspect to the Petro Basin Shares;

“**OBCA**” means the *Business Corporations Act* (Ontario), as may be amended or replaced from time to time;

“**Parties**” means, collectively, Petro Basin and Subco and “**Party**” means either of them;

“**Petro Basin**” means Petro Basin Energy Corp., a company existing under the OBCA;

“**Petro Basin Class A Shares**” means the renamed and re-designated Petro Basin Shares, as described in §3.1 of this Plan of Arrangement;

“**Petro Basin Class A Preferred Shares**” means the Class “A” preferred shares without par value which Petro Basin will create and issue pursuant to §3.1 of this Plan of Arrangement;

“**Petro Basin Meeting**” means the annual and special meeting of Petro Basin Shareholders to be held to consider the Arrangement Resolution and related matters, and any adjournments thereof;

“**Petro Basin Options**” means share purchase options issued pursuant to the Petro Basin Stock Option Plan;

“**Petro Basin Share Commitments**” means an obligation of Petro Basin to issue New Shares;

“**Petro Basin Shares**” means the common shares of Petro Basin and “**Petro Basin Shareholder**” means the holders from time to time of Petro Basin Shares;

“**Petro Basin Stock Option Plan**” means the stock option plan of Petro Basin in effect on the date of the Plan of Arrangement;

“**Petro Basin Warrants**” means share purchase warrants of Petro Basin that are outstanding on the Effective Date;

“**Plan**” or “**Plan of Arrangement**” means this plan of arrangement as amended or supplemented from time to time in accordance with the terms hereof and Article 7 of the Arrangement Agreement;



“**Share Distribution Record Date**” means the record date for the Petro Basin Meeting or such other date as determined by the Petro Basin, which date establishes the Petro Basin Shareholders who will be entitled to receive Subco Shares pursuant to this Plan of Arrangement;

“**Subco**” means PBA Acquisitions Corp., a private company incorporated under the *Business Corporations Act* (British Columbia);

“**Subco Shares**” means the common shares without par value in the authorized share structure of Subco, as constituted on the date of the Arrangement Agreement;

“**Tax Act**” means *the Income Tax Act* (Canada), as amended; and

“**Transfer Agent**” means CST Trust Company.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 In the event that the date on which any action is required to be taken hereunder by any of the Parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

2.1 This Plan of Arrangement is made pursuant and subject to the provisions of, and forms part of, the Arrangement Agreement.

2.2 This Plan of Arrangement will become effective in accordance with its terms and be binding on the Effective Date on the Petro Basin Shareholders.

### ARTICLE 3 ARRANGEMENT

3.1 On the Effective Date, the following shall occur and be deemed to occur in the following chronological order without further act or formality, notwithstanding anything contained in the provisions attaching to Petro Basin or Subco, but subject to the provisions of Article 6:

- (a) Petro Basin will transfer the Assets to Subco in consideration for Subco Shares, (the “**Distributed Subco Shares**”), such that the number of Distributed Subco Shares received by Petro Basin from Subco in consideration for the Assets will equal the number of issued and outstanding Petro Basin Shares multiplied by the Conversion Factor as of the Share Distribution Record Date, and Petro Basin will be added to the central securities register of Subco in respect of such Subco Shares;
- (b) The authorized share capital of Petro Basin will be changed by:
  - (i) Altering the identifying name of the Petro Basin Shares to class “A” common shares without par value, being the Class A Shares;
  - (ii) Creating a class consisting of an unlimited number of common shares without par value (the “**New Shares**”); and
  - (iii) Creating a class consisting of an unlimited number of class “A” preferred shares without par value, having the rights and restrictions described in Schedule “A” to the Plan of Arrangement, being the Petro Basin Class A Preferred Shares;
- (c) Each issued Petro Basin Class A Share will be exchanged for one New Share and one Petro Basin Class A Preferred Share and, subject to the exercise of a right of dissent, the holders of the Petro Basin Class A Shares will be deemed to have been removed from the central securities register of Petro Basin and will be deemed to have been added to the central securities register as the holders of the number of New Shares and Petro Basin Class A Preferred Shares that they have received on the exchange;
- (d) All of the issued Petro Basin Class A Shares will be cancelled with the appropriate entries being deemed to have been made in the central securities register of Petro Basin and the aggregate paid up capital (as that term is used for purposes of the Tax Act) of the Petro Basin Class A Shares immediately prior to the Effective Date will be allocated between the New Shares and the Petro Basin Class A Preferred Shares so that the aggregate paid up capital of the Petro Basin Class A Preferred Shares is equal to the aggregate fair market value of the Distributed Subco Shares as of the Effective Date, and each Petro Basin Class A Preferred Share so issued will be issued by Petro Basin at an issue price equal to such aggregate fair market value divided by the number of issued Petro Basin Class A Preferred Shares, such aggregate fair market value of the Distributed Subco Shares to be determined as at the Effective Date by resolution of the board of directors of Petro Basin;

(e) Petro Basin will redeem the issued Petro Basin Class A Preferred Shares for consideration consisting solely of the Distributed Subco Shares such that each holder of Petro Basin Class A Preferred Shares will, subject to the rounding of fractions and the exercise of rights of dissent, receive that number of Subco Shares that is equal to the number of Petro Basin Class A Preferred Shares multiplied by the Conversion Factor;

(f) The name of each holder of Petro Basin Class A Preferred Shares will be deemed to have been removed as such from the central securities register of Petro Basin, and all of the issued Petro Basin Class A Preferred Shares will be cancelled with the appropriate entries being deemed to have been made in the central securities register of Petro Basin;

(g) The Distributed Subco Shares transferred to the holders of the Petro Basin Class A Preferred Shares pursuant to step §(e) above will be registered in the names of the former holders of Petro Basin Class A Preferred Shares and appropriate entries will be made in the central securities register of Subco;

(h) The Petro Basin Class A Shares and the Petro Basin Class A Preferred Shares issued under the Arrangement, none of which will be allotted or issued once the steps referred to in steps §(c) and §(e) above are completed, will be cancelled and the authorized share structure of Petro Basin will be changed by eliminating, if the Petro Basin Board so chooses, the Petro Basin Class A Shares and the Petro Basin Class A Preferred Shares therefrom; and

(i) The Notice of Articles and Articles of Petro Basin will be amended to reflect the changes to its authorized share structure made pursuant to this Plan of Arrangement;

3.2 Notwithstanding §3.1(e), no fractional Subco Shares shall be distributed to the Petro Basin Shareholders and as a result all fractional share amounts arising under such sections shall be rounded down to the nearest whole number. Any Distributed Subco Shares not distributed as a result of this rounding down shall be dealt with as determined by the board of directors of Petro Basin in its absolute discretion.

3.3 The holders of the Petro Basin Class A Shares and the holders of New Shares and Petro Basin Class A Preferred Shares referred to in §3.1(c), and the holders of the Petro Basin Class A Preferred Shares referred to in §3.1(e), §3.1(f) and §3.1(g), shall mean in all cases those persons who are Petro Basin Shareholders at the close of business on the Share Distribution Record Date, subject to Article 5.

3.4 All New Shares, Petro Basin Class A Preferred Shares and Subco Shares issued pursuant to this Plan of Arrangement shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the OBCA.

3.5 The Arrangement shall become final and conclusively binding on the Petro Basin Shareholders, the Subco Shareholders, Petro Basin, and Subco, on the Effective Date.

3.6 Notwithstanding that the transactions and events set out in §3.1 shall occur and shall be deemed to occur in the chronological order therein set out without any act or formality, each of Petro Basin and Subco shall be required to make, do and execute or cause and procure to

be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in §3.1, including, without limitation, any resolutions of directors authorizing the issue, transfer or redemption of shares, any share transfer powers evidencing the transfer of shares and any receipt therefore, and any necessary additions to or deletions from share registers.

#### **ARTICLE 4 CERTIFICATES**

4.1 Recognizing that the Petro Basin Shares shall be redeemed and re-designated as Petro Basin Class A Shares pursuant to §3.1(b)(i) and that the Petro Basin Class A Shares shall be exchanged partially for New Shares pursuant to §3.1(c), Petro Basin shall not issue replacement share certificates representing the Petro Basin Class A Shares.

4.2 Recognizing that the Distributed Subco Shares shall be transferred to the Petro Basin Shareholders as consideration for the redemption of the Petro Basin Class A Preferred Shares pursuant to §3.1(e), Subco shall issue one share certificate representing all of the Distributed Subco Shares registered in the name of Petro Basin, which share certificate shall be held by the Depositary until the Distributed Subco Shares are transferred to the Petro Basin Shareholders and such certificate shall then be cancelled by the Depositary. To facilitate the transfer of the Distributed Subco Shares to the Petro Basin Shareholders as of the Share Distribution Record Date, Petro Basin shall execute and deliver to the Depositary and the Transfer Agent an irrevocable power of attorney, authorizing them to distribute and transfer the Distributed Subco Shares to such Petro Basin Shareholders in accordance with the terms of this Plan of Arrangement and Subco shall deliver a treasury order or such other direction to effect such issuance to the Transfer Agent as requested by it.

4.3 Recognizing that all of the Petro Basin Class A Preferred Shares issued to the Petro Basin Shareholders pursuant to §3.1(c) will be redeemed by Petro Basin as consideration for the distribution and transfer of the Distributed Subco Shares under §3.1(e), Petro Basin shall issue one share certificate representing all of the Petro Basin Class A Preferred Shares issued pursuant to §3.1(e) in the name of the Depositary, to be held by the Depositary for the benefit of the Petro Basin Shareholders until such Petro Basin Class A Preferred Shares are redeemed, and such certificate shall then be cancelled.

4.4 As soon as practicable after the Effective Date, Subco shall cause to be issued to the registered holders of Petro Basin Shares as of the Share Distribution Record Date, share certificates representing the Subco Shares to which they are entitled pursuant to this Plan of Arrangement and shall cause such share certificates to be mailed to such registered holders.

4.5 From and after the Effective Date, share certificates representing Petro Basin Shares immediately before the Effective Date, except for those deemed to have been cancelled pursuant to Article 5, shall for all purposes be deemed to be share certificates representing New Shares, and no new share certificates shall be issued with respect to the New Shares issued in connection with the Arrangement.

4.6 Petro Basin Shares traded, if any, after the Share Distribution Record Date and prior to the Effective Date shall represent New Shares, and shall not carry any right to receive a portion of the Distributed Subco Shares.

## **ARTICLE 5 DISSENTING SHAREHOLDERS**

5.1 Notwithstanding §3.1 hereof, holders of Petro Basin Shares may exercise rights of dissent (the “**Dissent Right**”) in connection with the Arrangement pursuant to the Interim Order and in the manner set forth in section 185 of the OBCA. Notwithstanding subsection 185(6) of the OBCA, any Petro Basin Shareholder seeking to exercise Dissent Rights must deliver to Petro Basin a written objection to the Arrangement by 5:00 p.m., Toronto time, on the Business Day that is five Business Days prior to the date of the Petro Basin Meeting (as it may be adjourned or postponed from time to time) and must strictly comply with all other provisions of section 185 of the OBCA as modified by the Interim Order (collectively, the “**Dissent Procedures**”).

5.2 Petro Basin Shareholders who duly exercise Dissent Rights with respect to their Petro Basin Shares (“**Dissenting Shares**”) and who:

- (a) are ultimately entitled to be paid fair value for their Dissenting Shares, shall be deemed to have transferred their Dissenting Shares to Petro Basin for cancellation immediately before the Effective Date; or
- (b) for any reason are ultimately not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Petro Basin Shareholder and shall receive New Shares and Subco Shares, on the same basis as every other non-dissenting Petro Basin Shareholder, and in no case shall Petro Basin be required to recognize such person as holding Petro Basin Shares on or after the Effective Date.

5.3 If a Petro Basin Shareholder exercises the Dissent Right, Petro Basin shall on the Effective Date set aside and not distribute that portion of the Distributed Subco Shares that is attributable to the Petro Basin Shares for which the Dissent Right has been exercised. If the dissenting Petro Basin Shareholder is ultimately not entitled to be paid for their Dissenting Shares, Petro Basin shall distribute to such Petro Basin Shareholder his, her or its pro-rata portion of the Distributed Subco Shares. If a Petro Basin Shareholder duly complies with the Dissent Procedures and is ultimately entitled to be paid for their Dissenting Shares, then Petro Basin shall retain the portion of the Distributed Subco Shares attributable to such Petro Basin Shareholder (the “**Non-Distributed Subco Shares**”), and the Non-Distributed Subco Shares shall be dealt with as determined by the board of directors of Petro Basin in its absolute discretion.

## **ARTICLE 6 AMENDMENTS**

6.1 Petro Basin and Subco may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be:

- (i) set out in writing;
- (ii) filed with the Court and, if made following the Petro Basin Meeting, approved by the Court; and
- (iii) communicated to holders of Petro Basin Shares and Subco Shares, as the case may be, if and as required by the Court.

6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Petro Basin at any time prior to the Petro Basin Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Petro Basin Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

6.3 Petro Basin, with the consent of the other parties, may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Petro Basin Meeting and prior to the Effective Date with the approval of the Court.

6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date but shall only be effective if it is consented to by Petro Basin and Subco, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of Petro Basin and Subco, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of Petro Basin and Subco, or any former holder of Petro Basin Shares and Subco Shares, as the case may be.

## **ARTICLE 7 REFERENCE DATE**

7.1 This plan of arrangement is dated for reference the 23<sup>rd</sup> day of June, 2015.

## SCHEDULE "A" TO THE PLAN OF ARRANGEMENT

### SPECIAL RIGHTS AND RESTRICTIONS FOR PETRO BASIN CLASS A PREFERRED SHARES

The class A preferred shares as a class shall have attached to them the following special rights and restrictions:

#### Definitions

- (1) In these Special Rights and Restrictions,
  - (a) "**Arrangement**" means the arrangement pursuant to the provisions of section 182 of the *Business Corporations Act* (Ontario) as contemplated by the Arrangement Agreement,
  - (b) "**Arrangement Agreement**" means the Arrangement Agreement dated as of June 23, 2015, between Petro Basin Energy Corp. (the "**Company**") and PBA Acquisitions Corp.;
  - (c) "**Old Common Shares**" means the common shares in the authorized share capital of the Company that have been re-designated as class A common shares without par value pursuant to the Plan of Arrangement,
  - (d) "**Effective Date**" means the date upon which the Arrangement becomes effective,
  - (e) "**New Shares**" means the common shares without par value created in the authorized share capital of the Company pursuant to the Plan of Arrangement, and
  - (f) "**Plan of Arrangement**" means the Plan of Arrangement attached as Schedule "A" to the Arrangement Agreement.
- (2) The holders of the class A preferred shares are not as such entitled to receive notice of, nor to attend or vote at, any general meeting of the shareholders of the Company.
- (3) Class A preferred shares shall only be issued on the exchange of Old Common Shares for New Shares and class A preferred shares pursuant to and in accordance with the Plan of Arrangement.
- (4) The capital to be allocated to the class A preferred shares shall be the amount determined in accordance with §3.1(d) of the Plan of Arrangement.
- (5) The class A preferred shares shall be redeemable by the Company pursuant to and in accordance with the Plan of Arrangement.
- (6) Any class A preferred share that is or is deemed to be redeemed pursuant to and in accordance with the Plan of Arrangement shall be cancelled and may not be reissued.

**SCHEDULE "B"**

**PETRO BASIN ASSETS TO BE TRANSFERRED TO SUBCO**

Letter of Intent between Petro Basin Energy Corp. and Breathtec Biomedical, Inc., dated June 4, 2015 for the two companies to enter into an amalgamation agreement on the terms proposed therein and \$42,000 cash.