

MASTER AGREEMENT

THIS AGREEMENT dated as of the 17th day of July, 2015.

AMONG:

PNO RESOURCES LTD., a corporation incorporated under the laws of the Province of British Columbia (hereinafter referred to as “**PNO**”)

OF THE FIRST PART

- and -

1042573 B.C. LTD., a corporation incorporated under the laws of the Province of British Columbia (hereinafter referred to as “**Subco**”)

OF THE SECOND PART

- and -

SANDSPRING RESOURCES LTD., a corporation continued under the laws of the Province of Ontario (hereinafter referred to as “**Sandspring**”)

OF THE THIRD PART

(each a “**party**” and collectively, the “**parties**”)

WHEREAS:

1. PNO and Subco wish to amalgamate pursuant to a plan of arrangement and continue as one corporation in accordance with the terms and conditions hereof and as set forth in the Plan of Arrangement (as defined herein);
2. Subco is a wholly-owned Subsidiary of Sandspring, and has been incorporated solely for the purposes of amalgamating with PNO, and has not carried on any active business;
3. Sandspring and PNO are parties to the Letter Agreement (as defined herein) which contemplates such amalgamation; and
4. The parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to the proposed Arrangement (as defined herein).

NOW THEREFORE IN CONSIDERATION OF THE COVENANTS AND AGREEMENTS CONTAINED IN THIS AGREEMENT THE PARTIES HERETO AGREE AS FOLLOWS:

1. Interpretation.

- (a) **Definitions.** In this Agreement (including the recitals hereto) and each schedule hereto:

“**Act**” means the *Business Corporations Act* (Ontario) and the regulations prescribed thereunder;

“**Agreement**” means this master agreement and the schedules hereto, as may be amended, modified, restated, supplemented or replaced from time to time;

“**Amalco**” means the entity formed by the Amalgamation of the Amalgamating Parties;

“**Amalco Shares**” means the common shares in the capital of Amalco;

“**Amalgamating Parties**” means PNO and Subco;

“**Amalgamation**” means the amalgamation of PNO and Subco on the terms and subject to the conditions set forth in this Agreement and the Plan of Arrangement;

“**Amalgamation Filings**” means the filings required to be filed with the Registrar under section 292 of the BC Act;

“**Applicable Canadian Securities Laws**” means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders, notices and policies published and/or promulgated thereunder;

“**Applicable Laws**” means with respect to any Person, all domestic or foreign federal, state, provincial or local laws (statutory, common law or otherwise), regulations, by-laws, statutes, constitutions, treaties, conventions, injunctions, judgements, decrees, rulings, rules, orders, ordinances, protocols, codes, guidelines, notices, directions (including all Applicable Canadian Securities Laws and Applicable U.S. Securities Laws), or other similar requirement enacted, adopted, promulgated or applied by any Governmental Authority, and all terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority, in each case, that is binding upon or applicable to such Person or its or their business, undertaking, property or securities and emanating from a Person having jurisdiction over the Person or its business, undertaking, property or securities, as amended unless expressly specified otherwise;

“**Applicable U.S. Securities Laws**” means collectively, and as the context may require, the U.S. Securities Act and all other applicable U.S. federal and state securities laws, rules and regulations and published policies thereunder;

“**Arrangement**” means an arrangement under Section 288 of the BC Act which shall involve a series of transactions and the exchange of securities resulting in: (i) the Amalgamation; and (ii) the issuance to the PNO Shareholders of record immediately prior to the Effective Date of Sandspring Post-Consolidation Shares in exchange for all PNO Shares held as of the Effective Date based on the Exchange Ratio, all on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with

Section 23 hereof or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order;

“Arrangement Effective Time” means 12:01 a.m. (Vancouver time) on the Effective Date;

“Arrangement Resolution” means the Special Resolution of the PNO Shareholders, approving the Plan of Arrangement to be considered at the PNO Meeting;

“BC Act” means the *Business Corporations Act* (British Columbia) and the regulations prescribed thereunder;

“Budget” means the budget for the 2015/2016 years as agreed upon between PNO and Sandspring prior to the execution of the Letter Agreement;

“Business Day” means a day other than a Saturday, Sunday or a civic or statutory holiday in the City of Toronto, Ontario or Vancouver, British Columbia;

“Cash” means, on a particular date, the cash balance held by PNO;

“Certificate” means the certificate of amalgamation issued by the Registrar under the BC Act in respect of the Amalgamation;

“Claim” shall have the meaning ascribed thereto in Section 36;

“Closing Date” means the date which is the third Business Day following the satisfaction or waiver (where applicable) of each of the conditions set forth in Sections 19, 20 and 21 hereof, or such other date as may be agreed upon by the parties, and in any event prior to the Termination Deadline;

“Confidentiality” means to maintain in confidence and not to disclose the applicable information to third parties, except:

- (i) Representatives that need to know or ought to know in order to discharge their respective duties in an efficient manner; or
- (ii) Persons that are or may be interested in advancing, loaning, investing or otherwise providing potential debt or equity financing to a party, including banks, financial institutions, brokerage companies and their respective employees, officers, directors, consultants, agents and other representatives, provided, however, that such Persons agree to maintain the information to be disclosed in confidence;

and **“Confidential”** and **“Confidence”** shall have similar meanings;

“Confidential Information” shall have the meaning ascribed thereto in Section 28;

“Consolidation” means the consolidation of the Sandspring Shares on the basis of one “new” Sandspring Post-Consolidation Share for every three “old” Sandspring Shares then outstanding;

“Consolidation Resolution” means the Special Resolution of the Sandspring Shareholders, approving the Consolidation to be considered at the Sandspring Meeting;

“Court” means the Supreme Court of British Columbia;

“Dissent Rights” means the rights of dissent granted in favour of registered PNO Shareholders with respect to such PNO Shareholder’s PNO Shares in respect of the Arrangement Resolution, all as described in the Plan of Arrangement and the Interim Order;

“Effective Date” means the date agreed to by Sandspring and PNO in writing as the effective date of the Arrangement, after all of the conditions precedent to the completion of the Arrangement as set out in this Agreement and the Final Order have been satisfied or waived, which shall be the date of the Certificate;

“Exchange Ratio” means, in connection with the Arrangement, the number of Sandspring Post-Consolidation Shares to be issued in exchange for each one PNO Share issued and outstanding as of the Effective Date, which number shall be one as of the date hereof, subject to further adjustment in accordance with the terms of the Plan of Arrangement;

“Environmental Laws” means all Applicable Laws with respect to environmental, health or safety matters;

“Final Order” means the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

“Fiore” means Fiore Management and Advisory Corp.;

“Fiore Management Agreement” means the administrative agreement to be entered into between Sandspring and Fiore which shall provide for payment of a fee of \$15,000 per month to Fiore plus applicable GST in consideration for the following services: (i) general corporate secretarial services; (ii) the services of a Chief Financial Officer for Sandspring; (iii) appointment of a Corporate Secretary for Sandspring; (iv) investor relations and marketing activities; and (v) management of all continuous disclosure regulatory reporting, stock exchange compliance, stock option and warrant administration, SEDI and other regulatory filings, annual meeting organization, corporate governance advice, news release dissemination and such other administrative services as may be required by Sandspring from time to time;

“Foreign Private Issuer” has the meaning ascribed thereto in Rule 405 under the U.S. Securities Act;

“Governmental Authority” means any domestic or foreign:

- (i) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry or agency, domestic or foreign;
- (ii) subdivision, agent, commission, board or authority of any of the foregoing;
- (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; and
- (iv) stock exchange including, without limitation, the TSXV and NEX;

“IFRS” means the international financial reporting standards as set out in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis;

“Indemnified Party” shall have the meaning ascribed thereto in Section 36;

“Indemnifying Party” shall have the meaning ascribed thereto in Section 36;

“Interim Order” means the interim order of the Court made in connection with the Arrangement and related matters;

“Letter Agreement” means the letter agreement dated as of July 2, 2015 between Sandspring and PNO, setting forth the terms and conditions of the Arrangement;

“Liabilities” means, on a particular date, all debts or other obligations, including but not limited to accounts payable, short term notes payable, and accrued expenses, accrued wages, salaries, vacation pay, bonuses and employee benefits, including without limitation or duplication;

“Loan” means the loan to be advanced by PNO to Sandspring within five (5) Business Days following the date hereof in an aggregate principal amount of \$800,000, and bearing an interest rate of 15% and a maturity date of September 30, 2015;

“Net Cash on Hand” means the Cash less the Liabilities of PNO as at the Effective Date;

“NEX” means the NEX board of the TSXV;

“Person” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

“Plan of Arrangement” means the plan of arrangement substantially in the form and content of Schedule “A” hereto and any amendments or variations thereto made in accordance with Section 23 hereof or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order;

“PNO Circular” means the notice and management information circular of PNO (together with all appendices thereto) prepared and delivered to the PNO Shareholders and such other PNO Securityholders as may be required pursuant to the Interim Order in connection with the PNO Meeting, in such form as may be agreed upon by Sandspring and PNO in accordance with Applicable Laws;

“PNO Disclosed Information” means all information: (i) disclosed in writing to Sandspring (or its Representatives) by PNO in connection with Sandspring’s due diligence review process; or (ii) otherwise made available to Sandspring (or its Representatives) including by way of public disclosure by PNO;

“PNO Disclosure Letter” means the disclosure letter from PNO to Sandspring dated the date hereof;

“PNO Dissenting Shareholder” means a PNO Shareholder, who, in connection with the PNO Meeting, has sent to PNO a written objection and a demand for payment within the time limits and in the manner prescribed by the Plan of Arrangement with respect to such PNO Shareholder’s PNO Shares in respect of the Arrangement Resolution;

“PNO Financial Statements” means the audited financial statements of PNO as at and for the fiscal year ended June 30, 2014 and the unaudited financial statements of PNO as at and for the nine month period ended March 31, 2015, all as available on SEDAR;

“PNO Information” means all information to be included in the Sandspring Circular and PNO Circular (including in documents incorporated by reference) describing PNO, the business, operations and affairs of PNO and all other matters to be considered at the PNO Meeting, in each case as required pursuant to Applicable Canadian Securities Laws, NEX and the TSXV;

“PNO Material Adverse Effect” means any change, effect, event or occurrence that, individually or taken together with any other change, effect, event or occurrence, is or would reasonably be expected to be material and adverse to the condition (financial or otherwise), operations, assets, properties, affairs, liabilities, capitalization, business, results of operations, cash flows or prospects of PNO, or would reasonably be expected to prevent, materially delay or materially impair the ability of PNO to consummate the transactions contemplated by this Agreement; provided, however, that a PNO Material Adverse Effect shall not include an adverse change or adverse effect resulting from a change, effect, event or occurrence: (i) resulting from any matter that is set forth in the PNO Disclosure Letter; (ii) resulting from conditions affecting the mineral resource exploration, exploitation, development, production and distribution industry as a whole; (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada; (iv) resulting from any change in IFRS or Applicable Laws; (v) resulting from any changes or effects arising from matters permitted or contemplated by this Agreement or consented to or approved in writing by Sandspring; (vi) resulting from any natural disaster or acts of war, terrorism or armed hostilities; or (vii) a change in the market trading price or trading volume of the PNO Shares (it being understood that causes underlying such change in market price or volume may be taken into account in determining whether a PNO Material Adverse Effect has occurred), unless, with respect to clauses (ii), (iii), (iv) and (vi) such matter has a materially disproportionate effect on PNO relative to comparable entities operating in the industries in which PNO operates. References in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a “PNO Material Adverse Effect” has occurred;

“PNO Meeting” means the special meeting of PNO Shareholders to be called by PNO in order to obtain the approval of the PNO Shareholders in respect of the Arrangement Resolution and related matters, in accordance with applicable corporate and securities laws and the rules of NEX and the TSXV;

“PNO Options” means the stock options to purchase PNO Shares granted to directors, officers, employees and consultants of PNO under PNO’s stock option plan most recently approved by PNO Shareholders on December 3, 2014;

“PNO Securityholder” means a registered holder of securities of PNO at the applicable time;

“PNO Shareholder” means a registered holder of PNO Shares at the applicable time;

“PNO Shares” means the common shares in the capital of PNO;

“PNO Warrants” means the common share purchase warrants of PNO, each of which entitles the holder to acquire one PNO Share until February 27, 2016 at an exercise price of \$0.15;

“Private Placement” means a private placement equity financing to be completed in PNO to raise minimum gross proceeds of \$2,500,000, all as further described herein;

“Registrar” means the registrar appointed under Section 400 of the BC Act;

“Representatives” means with respect to Sandspring or PNO, as the case may be, its officers, directors, employees, financial advisors, representatives and agents;

“Salary Deferral Agreements” means, collectively: (i) the agreement dated March 31, 2015 between Sandspring and Richard Munson; and (ii) the agreements dated as of December 31, 2014 between Sandspring and each of L. Werner Claessens, P. Greg Barnes, Pascal van Osta, Scott Issel and Yani Roditis, in each case relating to the deferral of salaries owing by Sandspring to each such individual, all upon the terms and conditions set forth therein;

“Sandspring Change of Control Payments” shall have the meaning ascribed thereto in Section 16(hh) hereof;

“Sandspring Circular” means the notice and management information circular of Sandspring (together with all appendices thereto) prepared and delivered to the Sandspring Shareholders in connection with the Sandspring Meeting, in such form as may be agreed upon by Sandspring and PNO in accordance with Applicable Laws and the rules of the TSXV;

“Sandspring Disclosed Information” means all information: (i) disclosed in writing to PNO (or its Representatives) by Sandspring in connection with PNO’s due diligence review process; or (ii) otherwise made available to PNO (or its Representatives) including by way of public disclosure by Sandspring;

“Sandspring Disclosure Letter” means the disclosure letter from Sandspring to PNO dated the date hereof;

“Sandspring Financial Statements” means the audited consolidated financial statements of Sandspring as at and for the fiscal year ended December 31, 2014, and the interim consolidated financial statements of Sandspring as at and for the three month period ended March 31, 2015, all as available on SEDAR;

“Sandspring Information” means all information to be included in the Sandspring Circular and PNO Circular (including in documents incorporated by reference) describing Sandspring, the Sandspring Subsidiaries, the business, operations and affairs of Sandspring and all other matters to be considered at the Sandspring Meeting, in each case as required pursuant to Applicable Canadian Securities Laws and the TSXV;

“Sandspring Material Adverse Effect” means any change, effect, event or occurrence that, individually or taken together with any other change, effect, event or occurrence, is or would reasonably be expected to be material and adverse to the condition (financial or otherwise), operations, assets, properties, affairs, liabilities, capitalization, business, results of operations, cash flows or prospects of Sandspring and the Sandspring Subsidiaries, considered as a whole, or would reasonably be expected to prevent, materially delay or materially impair the ability of Sandspring to consummate the transactions contemplated by this Agreement; provided, however, that a Sandspring Material Adverse Effect shall not include an adverse change or adverse effect resulting from a change, effect, event or occurrence: (i) resulting from any matter that is set forth in the Sandspring Disclosure Letter; (ii) resulting from conditions affecting the mineral resource exploration, exploitation, development, production and distribution industry as a whole; (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada or Guyana; (iv) resulting from any change in IFRS or Applicable Laws; (v) resulting from any changes or effects arising from matters permitted or contemplated by this Agreement or consented to or approved in writing by PNO; (vi) resulting from any natural disaster or acts of war, terrorism or armed hostilities; or (vii) a change in the market trading price or trading volume of the Sandspring Shares (it being understood that causes underlying such change in market price or volume may be taken into account in determining whether a Sandspring Material Adverse Effect has occurred), unless, with respect to clauses (ii), (iii), (iv) and (vi), such

matter has a materially disproportionate effect on Sandspring and the Sandspring Subsidiaries, considered as a whole, relative to comparable entities operating in the industries in which Sandspring operates. References in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a “Sandspring Material Adverse Effect” has occurred;

“**Sandspring Meeting**” means the annual and special meeting of Sandspring Shareholders to be called by Sandspring, in order to obtain the approval of the Sandspring Shareholders in respect of the Consolidation and other annual matters, all in accordance with applicable corporate and securities laws and the rules of the TSXV;

“**Sandspring Option Plan**” means the stock option plan of Sandspring most recently approved by Sandspring Shareholders on June 5, 2014;

“**Sandspring Options**” means the stock options to purchase Sandspring Shares granted to directors, officers, employees and consultants of Sandspring under the Sandspring Option Plan;

“**Sandspring Post-Consolidation Shares**” means the common shares in the capital of Sandspring immediately after giving effect to the Consolidation;

“**Sandspring Shareholder**” means a registered holder of Sandspring Shares at the applicable time;

“**Sandspring Shares**” means the common shares in the capital of Sandspring prior to giving effect to the Consolidation;

“**Sandspring Subsidiaries**” means, collectively, Subco, Sandspring Resources (USA) Ltd., GoldHeart Investment Holdings Ltd. and ETK Inc.;

“**Sandspring Warrants**” means the common share purchase warrants of Sandspring, each of which entitles the holder to acquire one Sandspring Share until October 7, 2017 at an exercise price of \$0.30, subject to customary adjustments as provided therein;

“**Section 3(a)(10) Exemption**” has the meaning ascribed to that term in Section 2(e);

“**Securities Authorities**” means, collectively, the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada;

“**SEDAR**” means the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval;

“**Special Resolution**” has the meaning set out in the BC Act in the case of PNO, and in the Act in the case of Sandspring, as applicable;

“**Subsidiary**” shall have the meaning ascribed thereto in the Act;

“**Superior Proposal**” means an unsolicited *bona fide* written proposal to either party or its shareholders, in respect of a Take-over Proposal from a third party that is not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill, non-disclosure or similar restriction and that did not result from or involve a breach of Section 29, in connection with which, in the opinion of the board of directors of the party which is the subject of such proposal, after consultation with its legal and financial advisors, the transaction contemplated pursuant to such proposal: (i) constitutes a commercially feasible transaction in accordance with its terms taking into account all legal, financial, tax, regulatory and other aspects of such

proposal, and for which adequate financial arrangements have been made (and that is not subject to any financing contingency), (ii) could be carried out within a time frame that is reasonable in the circumstances, (iii) if consummated, would be a transaction superior to the Arrangement and related matters contemplated hereby from a financial point of view to the shareholders of the party which is the subject of such proposal, and (iv) is not subject to a due diligence or access condition;

“Take-over Proposal” means with respect to Sandspring or PNO, as the case may be, any inquiry or the making of any proposal or offer to such party or its shareholders by a third Person or group of Persons “acting jointly or in concert” (within the meaning of Applicable Canadian Securities Laws), other than as contemplated in this Agreement, whether or not subject to a due diligence condition and whether or not in writing, of any single or multi-step transaction or series of related transactions that is structured to permit such third Person or group of Persons: (i) relating to an amalgamation, merger or any form of business combination whatsoever; (ii) to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over all or a material portion of such party’s assets (including any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of assets) or any of its Subsidiaries, or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over greater than 20% of such party’s outstanding voting securities whether by way of take-over bid, arrangement, amalgamation, merger, consolidation or other business combination, including without limitation any single or multi-step transaction or series of related transactions that is structured to permit such third Person to acquire beneficial ownership of all or any material portion of the applicable party’s assets or any of the Subsidiaries or to acquire in any manner, directly or indirectly, greater than 20% of its outstanding securities; or (iii) any other transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or which would reasonably be expected to materially reduce the benefits to the other party under this Agreement;

“Tax Returns” shall mean all reports, estimates, elections, notices, filings, designations, forms, declarations of estimated Tax, information statements and returns relating to, or required to be supplied to any Governmental Authority responsible for the imposition of any Tax in connection with, any Taxes (including any attached schedules, estimated tax returns, withholding tax returns, and information returns and reports);

“Taxes” shall have the meaning ascribed thereto in Section 16(o);

“Termination Deadline” means 5:00 p.m. (Toronto time) on September 30, 2015, or such earlier or later date and time as may be agreed to in writing by the parties;

“Third Party Approvals” shall have the meaning ascribed thereto in Section 19(g);

“Transfer Agent” means Computershare Trust Company of Canada, in its capacity as registrar and transfer agent for the Sandspring Shares and the PNO Shares;

“TSXV” means TSX Venture Exchange Inc.;

“United States” means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

“U.S. Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

“U.S. Investment Company Act” means the United States Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder;

“U.S. Person” has the meaning ascribed to it in Regulation S of the U.S. Securities Act; and

“U.S. Securities Act” means the United States *Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

- (b) 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”, “hereby” and “hereunder” and similar expressions refer to this Agreement (including the appendices hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.
- (c) 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 corporations and vice versa.
- (d) 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.
- (e) Unless otherwise stated, all sums of money which are referred to in this Agreement are expressed in lawful money of Canada.
- (f) Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS, and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with IFRS.
- (g) In this Agreement, whenever a representation or warranty is made on the basis of the knowledge or awareness of a party, such knowledge or awareness consists only of the actual collective knowledge or awareness, as of the date hereof, of the senior officers of such party, in their capacity as senior officers of such party and not in their personal capacity and without personal liability, but does not include the knowledge or awareness of any other individual or any constructive, implied or imputed knowledge; provided that the party making the representation and warranty shall have conducted a reasonable investigation as to the subject matter relating thereto and the level of such investigation shall be that of a reasonably prudent person investigating a material consideration in the context of a material transaction and the use of such phrase shall constitute a representation and warranty by the party making the representation and warranty in each case that such investigation has actually been made.
- (h) References in this Agreement to any statute or section thereof shall be deemed to be a reference to such statute or section as amended or substituted and inclusive of any regulations promulgated thereunder from time to time in effect. References to any agreement or document shall be to such agreement or document (together with all schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

- (i) The parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.
- (j) The following schedules are annexed to this Agreement and are hereby incorporated by reference into the Agreement and form part hereof:

Schedule "A" Plan of Arrangement

2. **Arrangement.** Subject to satisfaction or waiver of all the conditions precedent in Sections 19, 20 and 21 hereof, the parties agree to implement the Arrangement in accordance with the provisions of and subject to the terms and conditions set out in this Agreement, including Schedule "A" of this Agreement. Each of PNO and Sandspring acknowledge and agree that (i) the Arrangement and the matters related thereto as contemplated hereby are subject to (a) the receipt of all Third Party Approvals; (b) the receipt of all applicable approvals with respect to the Arrangement by the shareholders of PNO and Subco, and all applicable approvals with respect to the Consolidation by the shareholders of Sandspring; and (c) the approval of the Court under Section 291 of the BC Act, all in accordance with Applicable Laws and the regulations of NEX and the TSXV. In furtherance of the foregoing, subject to the terms and conditions herein set forth and on the basis of the covenants, representations, warranties and agreements of the parties herein contained, each of PNO, Subco and Sandspring covenant and agree to:

- (a) effect the Arrangement forthwith after receipt of all Third Party Approvals and the requisite approvals of the shareholders of each of PNO, Sandspring and Subco to the Arrangement, all in accordance with the terms and conditions hereof;
- (b) co-operate with each other in the preparation, submission and obtaining of all orders and other documents necessary in connection with the Arrangement, including with respect to the Interim Order, Final Order, the PNO Circular and the Sandspring Circular, and in connection therewith provide the other parties with such information and material concerning its affairs as such other parties shall reasonably request on a timely basis; and as promptly as practicable after obtaining the Interim Order, (i) PNO shall cause the PNO Circular and other documentation required in connection with the PNO Meeting to be sent to each applicable PNO Securityholder and filed as required by the Interim Order and Applicable Laws on or before the mailing date thereof; and (ii) Sandspring shall cause the Sandspring Circular and other documentation required in connection with the Sandspring Meeting to be sent to each Sandspring Shareholder and filed as required by Applicable Laws on or before the mailing date thereof;
- (c) not take any action to terminate or materially adversely affect, and will fulfill its obligations pursuant to, indemnities provided or available to or in favour of past and present officers and directors of Sandspring or PNO, as applicable, pursuant to the provisions of their respective articles, by-laws or other constating documents, applicable corporate legislation and any written indemnity agreements which have been entered into between Sandspring or PNO and their respective officers and directors effective on or prior to the date hereof;
- (d) use all commercially reasonable efforts and do all things necessary or reasonably desirable on its part to facilitate the implementation of the Arrangement and all related matters in connection therewith as set forth in the PNO Circular or the Sandspring

Circular, as applicable, by the Termination Deadline, including without limiting the generality of the foregoing, applying for, obtaining and/or effecting as applicable: (i) the approval of NEX and the TSXV for the Arrangement and Consolidation, as applicable, and the listing on the TSXV of the Sandspring Post-Consolidation Shares to be issued and made issuable in connection with the Arrangement; and (ii) obtaining such other consents, orders or approvals as counsel to PNO, Subco and Sandspring may advise are necessary or desirable to be obtained for the implementation of the Arrangement, including without limitation those referred to in Sections 13, 14 and 15 hereof, and preparing and delivering all necessary documents in connection therewith;

- (e) structure the Arrangement such that the issuance of securities under the Arrangement: (I) will be made in compliance with Applicable Canadian Securities Laws; and (II) qualifies in the United States for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act (the “**Section 3(a)(10) Exemption**”) and applicable state securities laws in reliance upon similar exemptions under applicable state securities laws. Each party agrees to act in good faith, consistent with the intent of the parties and the intended treatment of the Arrangement as set forth in this Section 2(e). In order to ensure the availability of the Section 3(a)(10) Exemption, the parties agree that the Arrangement will be carried out on the following basis and pursuant to the Plan of Arrangement:
 - (i) the Arrangement will be subject to the approval of the Court;
 - (ii) the Court will be advised, prior to the hearing for the Final Order, as to the intention of the parties to rely on the Final Order as a basis for the Section 3(a)(10) Exemption for the distribution of securities pursuant to the Arrangement;
 - (iii) the Court will be required to satisfy itself as to the fairness of the Arrangement;
 - (iv) the Final Order will expressly state that the Arrangement is approved by the Court as being fair to the PNO Securityholders to whom securities will be issued;
 - (v) the parties will ensure that each PNO Securityholder will be given adequate notice advising them of their right to attend the Court hearing and providing them with sufficient information necessary for them to exercise that right;
 - (vi) the PNO Securityholders will be advised that the securities issued in the Arrangement have not been registered under the U.S. Securities Act and will be issued in reliance on the Section 3(a)(10) Exemption and exemptions under applicable state securities laws and may be subject to restrictions on resale under the securities laws of the United States, including, as applicable, Rule 144 under the U.S. Securities Act with respect to resales of such securities by Persons who are affiliates (as defined in Rule 405 under the U.S. Securities Act) of Sandspring after the Effective Date or within 90 days prior to the Effective Date and with respect to affiliates of PNO at such time the Arrangement is submitted for vote or consent;
 - (vii) the PNO Securityholders will be advised that, absent registration under the U.S. Securities Act and applicable U.S. state law or an exemption from such registration requirements, any options or warrants issued in connection with the Arrangement may not be exercised in the United States or by or on behalf of a U.S. Person or a Person in

the United States and any securities issued upon such exercise may not be offered or resold;

(viii) the Interim Order approving the PNO Meeting will specify that each PNO Securityholder will have the right to appear before the Court at the Court hearing on the Final Order so long as such PNO Securityholder enters an appearance within a reasonable time; and

(ix) the Final Order shall include a statement to the following effect: "This Order will serve as a basis of a claim to an exemption pursuant to Section 3(a)(10) of the United States Securities Act of 1933, as amended, from the registration requirements otherwise imposed by that Act, regarding the issuance of securities under the Arrangement.";

- (f) make all necessary filings and applications pursuant to Applicable Laws required to be made on its part in connection with the transactions contemplated by this Agreement, including filing the Amalgamation Filings in connection with the completion of the Arrangement to give effect thereto;
- (g) not file any material with the Court in connection with the Arrangement or serve any such material or agree to modify or amend materials so filed or served except as contemplated hereby or with the prior written consent of the other parties, such consent not to be unreasonably withheld or delayed; provided that nothing herein shall require Sandspring to agree or consent to any increase in the consideration to be received by the PNO Shareholders or other modification or amendment to such filed or served materials that expands or increases Sandspring's obligations, or diminishes or limits Sandspring's rights, set forth in any such filed or served materials or under this Agreement; and
- (h) take and cause to be taken such other steps and actions and execute such other documents, agreements and instruments as may be reasonably necessary or desirable in connection with the consummation of the transactions contemplated hereby, including without limitation as required pursuant to the Act, the BC Act and Applicable Laws.

3. **Effect of Arrangement.** Subject to the terms and conditions of this Agreement, on the Effective Date:

- (a) Sandspring shall file articles of amendment to give effect to the Consolidation;
- (b) the Arrangement shall be effective, pursuant to which PNO shall amalgamate with Subco and, in connection therewith, all PNO Shares, other than PNO Shares held by PNO Dissenting Shareholders, will be exchanged by the holders thereof, without any further act or formality for fully paid and non-assessable Sandspring Post-Consolidation Shares based on the Exchange Ratio, in accordance with the terms of the Plan of Arrangement and the provisions hereof;
- (c) Amalco will be a wholly-owned subsidiary of Sandspring;
- (d) the property of each of the Amalgamating Parties shall continue to be the property of Amalco;
- (e) Amalco shall continue to be liable for the obligations of each of the Amalgamating Parties;

- (f) any existing cause of action, claim or liability to prosecution with respect to either or both of the Amalgamating Parties shall be unaffected;
- (g) any civil, criminal or administrative action or proceeding pending by or against any of the Amalgamating Parties may be continued to be prosecuted by or against Amalco;
- (h) any conviction against, or ruling, order or judgment in favour of or against, any of the Amalgamating Parties may be enforced by or against Amalco;
- (i) the board of directors of Sandspring shall be reconstituted to be comprised of eight members, of which three such members shall be designated by PNO and five such members shall be designated by Sandspring; and
- (j) the first director of Amalco shall be as set forth in the Plan of Arrangement.

4. **Treatment of Securities.** Subject to the terms and conditions of this Agreement, on the Effective Date:

- (a) each issued and outstanding Subco Share shall be exchanged for one fully paid and non-assessable Amalco Share;
- (b) subject to Section 4(f), all issued and outstanding PNO Shares other than any PNO Shares held or acquired by Sandspring, shall be exchanged for fully paid and non-assessable Sandspring Post-Consolidation Shares on the basis of the Exchange Ratio;
- (c) the holders of the PNO Options will be issued replacement stock options of Sandspring entitling the holder thereof to acquire Sandspring Post-Consolidation Shares in lieu of PNO Shares based on the Exchange Ratio (and with a corresponding adjustment to the exercise price based on the Exchange Ratio), and otherwise bearing the same terms as the PNO Options which they replace, subject to the terms of the Plan of Arrangement;
- (d) outstanding PNO Warrants will automatically adjust in accordance with the terms thereof such that following the completion of the Arrangement, the holders thereof shall acquire Sandspring Post-Consolidation Shares in lieu of PNO Shares based on the Exchange Ratio (but otherwise on the same terms as prior to the Arrangement);
- (e) subject to Section 9(a)(i), the Sandspring Post-Consolidation Shares issuable pursuant to Section 4(b) above shall be distributed amongst the holders of PNO Shares upon exchange of such PNO Shares as set out in Section 4(b) above and in the Plan of Arrangement;
- (f) PNO Shares which are held by a PNO Dissenting Shareholder shall not be exchanged as prescribed by Section 4(b). However, if a PNO Dissenting Shareholder fails to perfect or effectively withdraws its claim under the BC Act or forfeits its right to make a claim under the BC Act or if its rights as a PNO Shareholder are otherwise reinstated, such PNO Shareholder's PNO Shares shall thereupon be deemed to have been exchanged as of the Effective Date as prescribed by Section 4(b);
- (g) Sandspring shall receive one Amalco Share for all PNO Shares, if any, held or acquired by Sandspring pursuant to the exercise of Dissent Rights; and

- (h) replacement stock options of Sandspring issued in exchange for PNO Options pursuant to Section 4(c) above held by optionees that are not continuing officers, directors or service providers of Sandspring after giving effect to the Arrangement will expire 90 days after the Effective Date.

5. Implementation Steps.

- (a) Subject to the terms and conditions of this Agreement, PNO shall as soon as reasonably practicable, apply in a manner acceptable to Sandspring, acting reasonably, for the Interim Order, and thereafter proceed with and diligently pursue the obtaining of the Interim Order and, upon receipt thereof, PNO and Sandspring shall forthwith carry out the terms of the Interim Order to the extent applicable to it.
- (b) PNO covenants in favour of Sandspring that PNO shall, subject to the terms and conditions of the Interim Order, use its commercially reasonable efforts to convene and hold the PNO Meeting as promptly as practicable in accordance with its Articles and Applicable Laws and the Interim Order, for the purpose of considering and, if deemed advisable, approving the Arrangement and the transactions contemplated thereby by way of the Arrangement Resolution (and for any other proper purpose as may be set out in the notice for such meeting) including obtaining minority approval, as may be required.
- (c) Sandspring covenants in favour of PNO that Sandspring shall use its commercially reasonable efforts to convene and hold the Sandspring Meeting as promptly as practicable in accordance with its by-laws and Applicable Laws, for the purpose of considering and, if deemed advisable, approving the Consolidation (and for any other proper purpose as may be set out in the notice for such meeting).
- (d) PNO, Subco and Sandspring shall, subject to obtaining all necessary approvals of the Arrangement Resolution, the Consolidation Resolution, and all other approval(s) as are required by the Interim Order, proceed with and diligently pursue the obtaining of the Final Order.
- (e) The notice of motion for the application referred to in Section 5(a) shall include a request that the Interim Order provide:
 - (A) for the calling and record date in respect of the PNO Meeting, and class of persons to whom notice is to be provided in respect of the Arrangement and the PNO Meeting and for the manner in which such notice is to be provided;
 - (B) that all PNO Shareholders as at the record date for the PNO Meeting shall be entitled to vote on the Arrangement Resolution together as a single class, with PNO Shareholders being entitled to one (1) vote for each PNO Share held by them;
 - (C) that the requisite approval for the Arrangement Resolution shall be as set forth in the articles of PNO or the BC Act, as applicable;
 - (D) that, in all other respects, the terms, restrictions and conditions of the constating documents of PNO, including quorum requirements and all other matters, shall apply in respect of the PNO Meeting;

- (E) for the grant of Dissent Rights as set forth in the Plan of Arrangement;
 - (F) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
 - (G) that the PNO Meeting may be adjourned or postponed from time to time by PNO without the need for additional approval of the Court; and
 - (H) that it is the parties' intention to rely upon the Section 3(a)(10) Exemption to issue, based on the Court's approval of the Arrangement, the Sandspring Post-Consolidation Shares to PNO Securityholders who are resident in the United States in exchange for the PNO Shares in accordance with the Plan of Arrangement without registration under the U.S. Securities Act.
- (f) Subject to the terms and conditions of this Agreement, PNO agrees to:
- (A) subject to obtaining the approvals contemplated in the Interim Order as may be directed by the Court in the Interim Order, and subject to the conditions precedent for the completion of the transactions set out in this Agreement being satisfied, take all actions and steps necessary or desirable to submit the Arrangement to the Court and apply for the Final Order as soon as reasonably practicable; and
 - (B) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions contained herein in favour of each party, on the Closing Date, send to the Registrar for filing under the BC Act, the Amalgamation Filings and such other documentation as may be required in connection therewith under the BC Act to give effect to the Arrangement which shall then occur and be deemed to have occurred in the order and at the times set out in the Plan of Arrangement without any further act or formality. Such closing shall take place at the offices of counsel to PNO or at such other location as may be agreed upon by the parties.

In connection with the foregoing, PNO shall permit Sandspring and its counsel to review and comment upon drafts of all material to be filed by PNO with the Court in connection with the Arrangement (and shall give reasonable consideration to such comments), including the PNO Information and any supplement or amendment thereto and provide counsel to Sandspring on a timely basis with copies of any notice of appearance and evidence served on PNO or its counsel in respect of the application for the Interim Order and the Final Order or any appeal therefrom and of any notice (written or oral) received by PNO indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order.

6. **Private Placement and Loan.** In addition:

- (a) prior to the Effective Date, PNO shall use commercially reasonable efforts to complete the Private Placement. The Private Placement will consist of units ("Units") or subscription receipts exchangeable, for no additional consideration, for Units, with each Unit consisting of one PNO Share and one share purchase warrant of PNO (a

“**Warrant**”). Each Warrant will entitle the holder thereof to acquire one PNO Share at an exercise price of \$0.30 for five years. For greater certainty: (i) no commissions, finders fees or other similar advisory fees will be payable in connection with the Private Placement; (ii) a minimum of \$2,000,000 of the Private Placement will be sourced by PNO and Sandspring will source a minimum of \$500,000 of the Private Placement; and (iii) no one purchaser in the Private Placement together with those acting jointly or in concert with such purchaser will, after the completion of the Arrangement, be a “Control Person” of Sandspring (as such term is defined by the TSXV). In connection with the Amalgamation, each PNO Share comprising, in part, the Units will thereafter be automatically exchanged for a corresponding Sandspring Post-Consolidation Share based on the Exchange Ratio and no certificates representing the PNO Shares will be issued, and each Warrant will remain outstanding and will thereafter entitle the holder to acquire Sandspring Post-Consolidation Shares in lieu of PNO Shares based on the Exchange Ratio and otherwise on the same terms and conditions; and

- (b) the Loan shall be advanced within five (5) Business Days following the date hereof, which is anticipated to be used by Sandspring to fund its operating expenses over the period between the date hereof and the Closing Date, upon such further terms and conditions as shall be determined by PNO and Sandspring, each acting reasonably.
- 7. **Issuance of Amalco Shares to Sandspring.** On the Effective Date, in consideration of Sandspring issuing the Sandspring Post-Consolidation Shares to the holders of PNO Shares as provided for in Section 4(b), Amalco shall allot and issue to Sandspring one fully paid and non-assessable Amalco Share for each Sandspring Post-Consolidation Share so issued.
- 8. **Fractional Shares.** Notwithstanding Section 4 of this Agreement, no fractional Sandspring Post-Consolidation Shares will be issuable to PNO Shareholders pursuant to the Arrangement, and no cash payment or other form of consideration will be payable in lieu thereof. Any such fractional Sandspring Post-Consolidation Share interest to which a PNO Shareholder would otherwise be entitled pursuant to the Arrangement will be rounded down to the nearest whole Sandspring Post-Consolidation Share.
- 9. **Certificates.**
 - (a) At the Arrangement Effective Time:
 - (i) the PNO Shareholders shall be deemed to be the registered holders of the Sandspring Post-Consolidation Shares to which they are entitled hereunder. PNO Shareholders shall be required to deliver and surrender to the Transfer Agent such certificates representing all such PNO Shares which have been exchanged for Sandspring Post-Consolidation Shares in accordance with Section 4(b) hereof, and such other documentation as may be required by the Transfer Agent, following which the Transfer Agent shall, as soon as practicable, issue to such PNO Shareholder certificates representing the number of Sandspring Post-Consolidation Shares to which such PNO Shareholder is entitled;
 - (ii) Sandspring, as the registered holder of the Subco Shares, shall be deemed to be the registered holder of the Amalco Shares to which it is entitled hereunder and, upon surrender of the certificates representing such Subco Shares to Amalco, Sandspring shall be entitled to receive a share certificate representing the number of Amalco Shares to which it is entitled as set forth in Section 7 hereof; and

- (iii) share certificates evidencing PNO Shares shall cease to represent any claim upon or interest in PNO or Amalco other than the right of the registered holders of PNO Shares to receive pursuant to the terms hereof and the Arrangement, Sandspring Post-Consolidation Shares in accordance with Section 4 hereof.
- 10. **Stated Capital.** The stated capital of Amalco immediately following the Amalgamation but prior to giving effect to the issuance of Amalco Shares as provided for in Section 7 of this Agreement, shall be as set forth in the Plan of Arrangement or as may otherwise be agreed upon between the parties hereto.
- 11. **Amalgamation Filings.** Upon the PNO Shareholders and the sole shareholder of Subco approving the Arrangement on the terms and subject to the conditions set forth in this Agreement, in each case in accordance with Applicable Law, and provided that the conditions to the completion of the Arrangement specified in Sections 19, 20 and 21 hereof have then been satisfied or waived (to the extent such waiver is permitted hereunder), PNO and Subco shall jointly file, in duplicate, with the Registrar, the Amalgamation Filings.
- 12. **Transaction Fee.** The parties further acknowledge and agree that Fiore will be entitled to a transaction fee in the amount of 1,000,000 PNO Shares to be issued to Fiore immediately prior to the closing of the Arrangement in accordance with the financial advisory agreement with PNO dated May 1, 2010 and amended June 1, 2013, which PNO Shares shall be exchanged for 1,000,000 Sandspring Post-Consolidation Shares on closing of the Arrangement.
- 13. **Covenants of PNO.** PNO hereby covenants and agrees with Subco and Sandspring that from the date of this Agreement until the earlier of the Effective Date or termination of this Agreement in accordance with Section 24, except with the prior written consent of Sandspring (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement, by existing contractual obligations of PNO or as required by Applicable Laws, it will:
 - (a) use its commercially reasonable efforts to obtain, on or prior to the Effective Date, all applicable approvals of NEX and the TSXV to the Arrangement and the consent of its shareholders to the Arrangement by way of approval of the PNO Shareholders by Special Resolution at the PNO Meeting, all in accordance with the Interim Order and Applicable Laws and as promptly as reasonably practicable, and in compliance with the Interim Order and Applicable Laws, prepare the PNO Circular (which shall contain the Sandspring Information as reviewed by Sandspring) and PNO Information with Sandspring, together with any other documents required by Applicable Laws in connection with all shareholder approvals and Third Party Approvals required in respect of the Arrangement and the other matters contemplated hereby;
 - (b) provide notice of the Arrangement to the holders of the PNO Warrants in accordance with the terms of the PNO Warrants;
 - (c) act in good faith and use its commercially reasonable efforts to cause each of the conditions precedent to the Arrangement set forth in Sections 19 and 20 hereof to be complied with or fulfilled on its part, in each case on or prior to the Effective Date, and to:
 - (i) conduct its business only in the usual and ordinary course of business, and consistent with past practice, and substantially in accordance with the Budget,

and use all commercially reasonable efforts to maintain and preserve, in all material respects, its business, assets and advantageous business relationships;

- (ii) not directly or indirectly: (i) amend its constating documents; (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities; (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (iv) split, combine or reclassify any of its securities, or amend the terms of or reduce the stated capital of any of its securities; (v) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization; (vi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing; (vii) effect any financing transaction whether by means of debt, equity or otherwise, or issue, grant, sell, pledge, lease, dispose of or encumber or agree to issue, grant, sell, pledge, lease, dispose of or encumber, any PNO Shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, PNO Shares, other than (i) the aggregate number of PNO Shares issuable upon exercise of convertible securities of PNO issued and outstanding as of the date hereof (whether or not currently subject to any vesting restrictions); (ii) pursuant to the Private Placement and/or any existing contractual obligations of PNO; and/or (iii) as otherwise specifically contemplated in 17(g);
- (iii) not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided;
- (iv) not grant any officer, director or employee an increase in compensation in any form, grant any general salary increase, take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements for any directors, officers or employees, nor adopt or amend any stock option or other employee compensation plans, nor make any loan to any officer, director or any other party not at arm's length;
- (v) not adopt or amend or make any contribution to any bonus, cost plus employee benefit plan, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangements or agreements;
- (vi) not take any action or refrain from taking any action inconsistent with this Agreement or permit any action to be taken or not taken, which might reasonably be expected to directly or indirectly interfere with or affect the consummation of the Arrangement or any of the matters related thereto as contemplated hereby, other than to respond to any inquiries received in accordance with the fiduciary obligations of its directors, as specifically permitted under Section 29;
- (vii) not pay, discharge or satisfy any material claims, liabilities or obligations other than in the ordinary course of business consistent with past practice;
- (viii) not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;

- (ix) not enter into any contracts or transactions with any officer or director of PNO; and
- (x) not take any action that would render, or may reasonably be expected to render, any representation or warranty made by PNO in this Agreement untrue in any material respect;
- (d) make (or reaffirm, if requested by Sandspring in accordance with this Agreement) and not withdraw, modify or amend, in any material respect, an affirmative recommendation that the PNO Shareholders approve the Arrangement, provided that the board of directors of PNO may withdraw, modify or change the recommendation regarding the Arrangement if, in its opinion acting reasonably, having received the advice of its outside legal counsel as reflected in minutes of its meeting, such withdrawal, modification or change is required to act in a manner consistent with its fiduciary duties and provided that PNO shall have complied with the provisions of Sections 29 and 30 and have paid the PNO Termination Payment in accordance with Section 31(a) hereof;
- (e) use its commercially reasonable efforts to assist Sandspring in connection with the preparation of the Sandspring Circular, together with any other documents required by Applicable Laws in connection with all shareholder approvals and Third Party Approvals required in respect of the Arrangement and the other matters contemplated hereby;
- (f) comply with the applicable covenants set forth in Sections 29 and 30;
- (g) give Sandspring prompt notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to the Dissent Rights and received by PNO, and promptly provide Sandspring with copies of such notices and written objections and all other correspondence related thereto;
- (h) take all reasonable actions to solicit proxies to be voted at the PNO Meeting in favour of matters to be considered at the PNO Meeting, including the Arrangement Resolution (which for greater certainty does not obligate PNO to engage a proxy solicitation firm);
- (i) provide notice to Sandspring of the PNO Meeting and allow Representatives of Sandspring to attend such meeting;
- (j) except for proxies and other non-substantive communications with third parties and communications to legal and other advisors of PNO, furnish promptly to Sandspring and its counsel: (i) a copy of each notice, report, schedule or other document delivered, filed or received by PNO in connection with the Arrangement from any Governmental Authority or the PNO Meeting; (ii) any filings under Applicable Laws in connection with the Arrangement or the PNO Meeting; (iii) any documents related to dealings with Governmental Authorities in connection with the transactions contemplated herein; and (iv) any requests from a Governmental Authority for any information in respect of the business, operations, financial conditions or assets of PNO or any third party complaint, investigation or hearing (or investigations indicating the same may be contemplated) to the extent that it relates to or could have a PNO Material Adverse Effect;
- (k) use its reasonable commercial efforts to obtain and maintain the Third Party Approvals applicable to it and provide the same to Sandspring on or prior to the Effective Date, and

provide Sandspring with all information and documentation reasonably requested by it in connection with obtaining the Third Party Approvals applicable to it;

- (l) (i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and on or prior to the Effective Date and all such Tax Returns will be true, complete and correct in all material respects; (ii) timely pay all Taxes shown on such Tax Returns which are due and payable and make all required withholdings and remittances in respect of such Taxes; (iii) not make, amend or rescind any material express or deemed election relating to Taxes, or file any amended Tax Returns where the result of such action is inconsistent with past practice; (iv) not make a request for a Tax ruling or enter into any agreement with any Governmental Authority with respect to Taxes; (v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of Taxes; (vi) not make any changes in financial or Tax accounting methods, principles, policies or practices, except as required by IFRS or under Applicable Laws; (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with IFRS, for all Taxes accruing in respect of PNO which are not due or payable prior to the Effective Date; and (viii) not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation;
- (m) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions contained herein in favour of each party, send to the Registrar for filing under the BC Act, the Amalgamation Filings and such other documentation as may be required in connection therewith under the BC Act to give effect to the Arrangement; and
- (n) use its reasonable commercial efforts to complete the Private Placement as soon as reasonably practicable

14. **Covenants of Sandspring.** Sandspring hereby covenants and agrees with PNO that from the date of this Agreement until the earlier of the Effective Date or termination of this Agreement in accordance with Section 24, except with the prior written consent of PNO (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement, by existing contractual obligations of Sandspring or its Subsidiaries, or as required by Applicable Laws, it will:

- (a) use its commercially reasonable efforts to obtain, on or prior to the Effective Date, all applicable approvals of the TSXV to the Arrangement (including the listing thereon of the Sandspring Post-Consolidation Shares issuable pursuant to the Arrangement) and the consent of its shareholders to the Consolidation by way of approval of the Sandspring Shareholders holding a majority of the votes attaching to all Sandspring Shares represented in person or by proxy at the Sandspring Meeting, all in accordance with Applicable Laws, and as promptly as reasonably practicable and in compliance with Applicable Laws, prepare the Sandspring Circular (which shall contain the PNO Information as reviewed by PNO) and Sandspring Information with PNO, together with any other documents required by Applicable Laws in connection with all shareholder approvals and Third Party Approvals required in respect of the Arrangement and the other matters contemplated hereby;
- (b) sign a special resolution, on or prior to the Effective Date, as the sole shareholder of Subco in favour of the approval of the Arrangement, this Agreement and the transactions contemplated hereby in accordance with the BC Act;

- (c) act in good faith and use its commercially reasonable efforts to cause each of the conditions precedent set forth in Section 19 and 21 hereof to be complied with or fulfilled on its part, in each case on or prior to the Effective Date, and to:
- (i) conduct its business only in the usual and ordinary course of business, and consistent with past practice, and substantially in accordance with the Budget, and use all commercially reasonable efforts to maintain and preserve, in all material respects, its business, assets and advantageous business relationships;
 - (ii) not directly or indirectly: (i) amend its constituting documents; (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities; (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (iv) split, combine or reclassify any of its securities or amend the terms of or reduce the stated capital of any of its securities; (v) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization; (vi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing; (vii) effect any financing transaction whether by means of debt, equity or otherwise, or issue, grant, sell, pledge, lease, dispose of or encumber or agree to issue, grant, sell, pledge, lease, dispose of or encumber, any Sandspring Shares or securities of any of its Subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Sandspring Shares or securities of any of its Subsidiaries other than the aggregate number of Sandspring Shares issuable upon exercise of convertible securities of Sandspring issued and outstanding as of the date hereof (whether or not currently subject to any vesting restrictions), pursuant to any existing contractual obligation of Sandspring or any of its Subsidiaries, or as otherwise specifically contemplated in Section 16(j);
 - (iii) not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided;
 - (iv) not grant any officer, director or employee an increase in compensation in any form, grant any general salary increase, take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements for any directors, officers or employees, nor adopt or amend any stock option or other employee compensation plans, nor make any loan to any officer, director or any other party not at arm's length;
 - (v) not adopt or amend or make any contribution to any bonus, cost plus employee benefit plan, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangements or agreements;
 - (vi) not take any action or refrain from taking any action, or permit any action to be taken or not taken, which is inconsistent with this Agreement which might reasonably be expected to directly or indirectly interfere with or affect the consummation of the Arrangement or any of the matters related thereto as contemplated hereby, other than to respond to any inquiries received in

accordance with the fiduciary obligations of its directors, as specifically permitted under Section 29;

- (vii) not pay, discharge or satisfy any material claims, liabilities or obligations other than in the ordinary course of business consistent with past practice;
 - (viii) not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
 - (ix) not enter into any contracts or transactions with any officer or director of Sandspring; and
 - (x) not take any action that would render, or may reasonably be expected to render, any representation or warranty made by Sandspring in this Agreement untrue in any material respect;
- (d) make (or reaffirm, if requested by PNO in accordance with this Agreement) and not withdraw, modify or amend, in any material respect, an affirmative recommendation that the Sandspring Shareholders approve the Consolidation, provided that the board of directors of Sandspring may withdraw, modify or change the recommendation regarding the Consolidation if, in its opinion acting reasonably, having received the advice of its outside legal counsel as reflected in minutes of its meeting, such withdrawal, modification or change is required to act in a manner consistent with its fiduciary duties;
- (e) use its commercially reasonable efforts to assist PNO in connection with the preparation of the PNO Circular, together with any other documents required by Applicable Laws in connection with all shareholder approvals and Third Party Approvals required in respect of the Arrangement and the other matters contemplated hereby;
- (f) comply with the applicable covenants set forth in Sections 29 and 30;
- (g) take all reasonable actions to solicit proxies to be voted at the Sandspring Meeting in favour of matters to be considered at the Sandspring Meeting, including the Consolidation (which for greater certainty does not obligate Sandspring to engage a proxy solicitation firm);
- (h) provide notice to PNO of the Sandspring Meeting and allow Representatives of PNO to attend such meeting;
- (i) except for proxies and other non-substantive communications with third parties and communications to legal and other advisors of Sandspring, furnish promptly to PNO and its counsel: (i) a copy of each notice, report, schedule or other document delivered, filed or received by Sandspring in connection with the Arrangement from any Governmental Authority or the Sandspring Meeting; (ii) any filings under Applicable Laws in connection with the Arrangement or the Sandspring Meeting; (iii) any documents related to dealings with Governmental Authorities in connection with the transactions contemplated herein; and (iv) any requests from a Governmental Authority for any information in respect of the business, operations, financial conditions or assets of Sandspring or any of the Sandspring Subsidiaries or any third party complaint, investigation or hearing (or investigations indicating the same may be contemplated) to the extent that it relates to or could have a Sandspring Material Adverse Effect;

- (j) use its reasonable commercial efforts to obtain and maintain the Third Party Approvals applicable to it and provide the same to PNO on or prior to the Effective Date, and provide PNO with all information and documentation reasonably requested by it in connection with obtaining the Third Party Approvals applicable to it;
 - (k) (i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and on or prior to the Effective Date and all such Tax Returns will be true, complete and correct in all material respects; (ii) timely pay all Taxes shown on such Tax Returns which are due and payable and make all required withholdings and remittances in respect of such Taxes; (iii) not make, amend or rescind any material express or deemed election relating to Taxes, or file any amended Tax Returns where the result of such action is inconsistent with past practice; (iv) not make a request for a Tax ruling or enter into any agreement with any Governmental Authority with respect to Taxes; (v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of Taxes; (vi) not make any changes in financial or Tax accounting methods, principles, policies or practices, except as required by IFRS or under Applicable Laws; (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with IFRS, for all Taxes accruing in respect of Sandspring which are not due or payable prior to the Effective Date; and (viii) not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation;
 - (l) not use any funds associated with the Private Placement or the Arrangement for the purpose of any payments under any of the Salary Deferral Agreements;
 - (m) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions contained herein in favour of each party, issue that number of Sandspring Post-Consolidation Shares as required by Section 4(b) hereof, and reserve for issuance that number of Sandspring Post-Consolidation Shares as required by Sections 4(c) and (d), respectively; and
 - (n) procure duly executed resignations from three of its directors who will no longer be serving in that capacity following the Effective Date and, following the Effective Date, cause the nominees of PNO to be elected to Sandspring's board of directors in connection with the reconstitution of the board of directors of Sandspring as contemplated by subsection 3(i) hereof.
15. Covenants of Subco. Subco hereby covenants and agrees with PNO that it will:
- (a) on the Effective Date, be a corporation which has, at no time, carried on any active business (other as is necessary to effect the Arrangement);
 - (b) act in good faith and use its commercially reasonable efforts to cause each of the conditions precedent set forth in Sections 19 and 21 hereof to be complied with or fulfilled on its part, in each case on or prior to the Effective Date;
 - (c) unless PNO otherwise agrees in writing, until the earlier of the Effective Date and the date that this Agreement is terminated by its terms,

- (i) not conduct any business (other than as required in connection with the Arrangement), and shall use all commercially reasonable efforts to maintain and preserve its corporate existence; and
- (ii) not directly or indirectly, amend its constating documents, declare, set aside or pay any dividend or other distribution or payment or otherwise to or for the benefit of its shareholders or reduce its stated capital; and
- (d) subject to the approval of the shareholders of PNO, Sandspring (if applicable) and Subco being obtained with respect to the Arrangement and subject to the obtaining of all applicable regulatory approvals, including the conditional approvals of the TSXV and NEX, thereafter jointly with PNO file with the Registrar the Amalgamation Filings.

16. **Representations and Warranties of Sandspring.** Sandspring represents and warrants to and in favour of PNO and Subco as follows, and acknowledges that PNO and Subco are relying upon such representations and warranties:

- (a) Sandspring is a corporation existing under the laws of Ontario and has the corporate power and capacity to carry on its business as currently conducted; and to own, lease and operate its property and assets; enter into and perform its obligations under this Agreement in accordance with the provisions hereof; and subject to the receipt of all applicable shareholder and regulatory approvals, to issue and deliver the Sandspring Post-Consolidation Shares in connection with the Arrangement;
- (b) this Agreement has been duly authorized, executed and delivered by Sandspring and constitutes a valid and binding obligation of Sandspring enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in Applicable Laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally, and to the qualification that equitable remedies, including specific performance, are discretionary and may not be ordered) and no other corporate proceeding on the part of Sandspring, other than the approval of the Consolidation and, if applicable, the Arrangement, by the holders of the Sandspring Shares and approval of the board of directors of the Sandspring Circular, is necessary to authorize the transactions contemplated under this Agreement;
- (c) the Arrangement has been authorized by all necessary corporate action on the part of Sandspring and the issue and delivery of the Sandspring Post-Consolidation Shares as required by Section 4(b) and the reservation of the Sandspring Post-Consolidation Shares as required by Sections 4(c) and (d), on the Effective Date pursuant to the Arrangement will be authorized by all necessary corporate actions on the part of Sandspring prior to the Effective Date, subject only to the receipt of all applicable shareholder and regulatory approvals;
- (d) there is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority, or to obtain any consent, approval or authorization of any other Person (other than the approval of the Sandspring Shareholders and the approval of the Court), as a condition to the lawful completion of the transactions contemplated by this Agreement, including specifically the Arrangement, except for the

filing of the Amalgamation Filings, and other filings, notifications and authorizations required under Applicable Laws and the rules of NEX and the TSXV;

- (e) Sandspring has made all material filings required under Applicable Laws with the applicable Governmental Authorities, all such filings have been made in a timely manner, and all such filings and information and statements contained therein and any other information or statements disseminated to the public by Sandspring were true, correct and complete in all material respects and did not contain any misrepresentation, as at the date of such information or statements, and Sandspring has not filed any confidential material change reports which continue to be confidential;
- (f) on the Effective Date, the Sandspring Post-Consolidation Shares to be issued to PNO Shareholders in accordance with Section 4(b) will be duly and validly issued and outstanding as fully paid and non-assessable, and the Sandspring Post-Consolidation Shares to be issued in accordance with Sections 4(c) and (d) shall, upon the due exercise of the equivalent securities of Sandspring issued in exchange for the PNO Options, or upon the due exercise of the PNO Warrants, as applicable, and payment of the applicable exercise price therefor, be duly and validly issued and outstanding as fully paid and non-assessable, subject only to the receipt of all applicable shareholder and regulatory approvals;
- (g) Sandspring has no material direct or indirect Subsidiaries or branches, other than the Sandspring Subsidiaries, each of which is a corporation or branch, as applicable, existing under the laws of its applicable jurisdiction and each of which has the corporate power, capacity and authority to carry on its business as currently conducted; and to own, lease and operate its property and assets. Sandspring directly or indirectly beneficially owns all of the outstanding shares and other securities or interests in each of the Sandspring Subsidiaries and no Person holds any securities convertible or exchangeable into securities of any of such Subsidiaries or now has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of any of the Sandspring Subsidiaries;
- (h) to the best knowledge of Sandspring after due inquiry and other than any violation or other matter referred to in this Subsection that does not result in a Sandspring Material Adverse Effect;
 - (i) Sandspring and the Sandspring Subsidiaries are not in violation of any Environmental Laws;
 - (ii) each of Sandspring and the Sandspring Subsidiaries has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Sandspring or any of the Sandspring Subsidiaries;

- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Sandspring or any of the Sandspring Subsidiaries;
 - (v) neither Sandspring nor any of the Sandspring Subsidiaries has failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by an Environmental Law;
 - (vi) Sandspring and each of the Sandspring Subsidiaries holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business as currently operated, and the ownership and use of its assets as currently used, and all such licenses, permits and approvals are in full force and effect; and
 - (vii) neither Sandspring nor any of the Sandspring Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated, except for (A) notifications and conditions of general application relating to assets of the type owned by Sandspring or any of the Sandspring Subsidiaries, and (B) notifications relating to reclamation obligations under Environmental Laws;
- (i) the authorized capital of Sandspring consists of an unlimited number of Sandspring Shares and an unlimited number of preferred shares, of which 144,708,785 Sandspring Shares are issued and outstanding as of the date of this Agreement, all of which shares have been duly authorized and validly issued, and are fully paid and non-assessable and are not subject to, nor issued in violation of, any pre-emptive rights;
 - (j) no Person holds any securities convertible or exchangeable into securities of Sandspring, or now has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, option or right for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of Sandspring, other than: (i) an aggregate of 7,874,750 Sandspring Options, each entitling the holder thereof to acquire one Sandspring Share; (ii) an aggregate of 10,327,075 Sandspring Warrants, each entitling the holder thereof to acquire one Sandspring Share; and (iii) as contemplated hereby in connection with the Arrangement;
 - (k) the authorized capital of Subco consists of an unlimited number of Subco Shares. An aggregate of ten (10) Subco Shares are issued and outstanding, all of which are owned by Sandspring. All outstanding Subco Shares have been duly authorized and validly issued, and are fully paid and non-assessable and are not subject to, nor issued in violation of, any pre-emptive rights. No Person holds any securities convertible or exchangeable into securities of Subco, or now has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, option or right for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of Subco;

- (l) other than as set forth in the Sandspring Disclosure Letter, since December 31, 2014, except for the Arrangement: (i) there has been no Sandspring Material Adverse Effect (or any condition, event or development involving a prospective change that would result in a Sandspring Material Adverse Effect); (ii) each of Sandspring and the Sandspring Subsidiaries has conducted its businesses only in the ordinary and normal course; and (iii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Sandspring and the Sandspring Subsidiaries (taken as a whole) has been incurred other than in the ordinary and normal course of business;
- (m) other than as set forth in the Sandspring Disclosure Letter, each of Sandspring and the Sandspring Subsidiaries is the absolute legal and beneficial owner of, and has good and marketable title to, all of the material property or assets thereof free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever, other than those reflected or reserved against in the Sandspring Financial Statements and subject to the usual qualifications on title in respect of ground leases to utilities, municipal agreements, railway siding agreements, easements for streets, alleys, highways, telephone lines, gas pipelines, power lines and railways, and no other property rights are necessary for the conduct of the businesses of Sandspring and the Sandspring Subsidiaries as currently conducted. Sandspring does not know of any claim or basis for any claim that might or could adversely affect the right thereof to use, transfer or otherwise exploit such property rights and neither Sandspring nor the Sandspring Subsidiaries have any responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any Person with respect to the property rights thereof other than as set forth in the Sandspring Disclosure Letter;
- (n) although it does not warrant title, subject to ordinary course permitted encumbrances, Sandspring does not have any reason to believe that it or the Sandspring Subsidiaries do not have good right, title and interest, free and clear of any title defect, liens, adverse claims, encumbrances to all of its properties and assets (real and personal, tangible and intangible, including leasehold interests);
- (o) all taxes (including domestic and foreign federal and provincial income tax, capital tax, payroll and withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales, use and goods and services taxes, value added taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, environmental taxes, capital taxes, production taxes, recapture, surtaxes, customs, import and export taxes, business license taxes, occupation taxes, stamp taxes, employer health tax, workers' compensation payments, real and personal property taxes, custom and land transfer taxes and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing), duties, fees, excises, premiums, royalties, levies, imposts, assessments, deductions, charges or withholdings of any kind whatsoever however denominated, and all liabilities with respect thereto including any arrears, penalty and interest payable with respect thereto imposed by any Governmental Authority responsible for the imposition of any Tax, whether computed on a separate, consolidated, unitary, combined or other basis (collectively, "**Taxes**") due and payable or required to be collected or withheld and remitted, by Sandspring and the Sandspring Subsidiaries have been paid, collected or withheld and remitted, as applicable; (ii) all Tax Returns required to be filed by Sandspring and the Sandspring Subsidiaries have been filed with all appropriate Governmental Authorities and all such Tax Returns are complete and accurate and no material fact or facts have been omitted therefrom that would make any of them

misleading; (iii) no examination of any Tax Return of Sandspring or the Sandspring Subsidiaries is currently in progress and there are no issues or disputes outstanding with any Governmental Authority respecting any taxes that have been paid, or may be payable, by Sandspring or the Sandspring Subsidiaries; and (iv) there are no agreements, waivers or other arrangements with any taxation authority providing for an extension of time for any assessment or reassessment of Taxes with respect to Sandspring or the Sandspring Subsidiaries;

- (p) Sandspring is now, and on the Effective Date will be, a reporting issuer in each of the provinces of Canada other than Quebec. The issued and outstanding Sandspring Shares are listed and posted for trading on the TSXV and other than as set forth in the Sandspring Disclosure Letter, Sandspring is in material compliance with the policies of the TSXV;
- (q) to Sandspring's knowledge, Sandspring (i) is a Foreign Private Issuer; (ii) has no class of securities outstanding that is or is required to be registered under Section 12 of the U.S. Exchange Act or that is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act; (iii) is not registered or required to register, and will not as a result of the completion of the Arrangement and the issuance of the securities in connection therewith, be required to register as an investment company under the United States Investment Company Act; and (iv) is not a "shell company" within the meaning assigned that term in Rule 405 under the U.S. Securities Act;
- (r) Sandspring is not in default or breach of this Agreement, and none of the execution and delivery of, and the compliance with the terms of, this Agreement by Sandspring, the completion of the Arrangement in accordance with the terms hereof, or the issue and delivery of the Sandspring Post-Consolidation Shares in connection with the Arrangement, will result in a breach, violation, conflict, default, termination or acceleration of, or create a state of facts which, after notice or lapse of time or both, will result in a breach, violation, conflict, default, termination or acceleration of, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Sandspring or any of the Sandspring Subsidiaries under: (i) any of the terms, conditions or provisions of the constating documents or by-laws or resolutions of the directors or shareholders of Sandspring or any of the Sandspring Subsidiaries; (ii) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument, obligation or document to which Sandspring or any of the Sandspring Subsidiaries is a party or will be contractually bound as of the Effective Date or to which their respective properties or assets may be subject; (iii) any statute, rule, judgment, ruling, decree, order, injunction, determination, award, ordinance, or regulation, applicable to or binding on Sandspring or any of the Sandspring Subsidiaries, or their respective assets (except, in the case of each of clauses (i), (ii) and (iii) above, for such breaches, violations, conflicts, defaults, terminations or accelerations which would not have a Sandspring Material Adverse Effect);
- (s) none of the execution and delivery of, and the compliance with the terms of, this Agreement by Sandspring, the completion of the Arrangement in accordance with the terms hereof, nor the issue and delivery of the Sandspring Post-Consolidation Shares in connection with the Arrangement, will cause a suspension or revocation of any authorization for the consent, approval or license currently in effect which would have a Sandspring Material Adverse Effect;

- (t) the Sandspring Financial Statements: (i) are, in all material respects, consistent with the books and records of Sandspring and the Sandspring Subsidiaries, for the periods covered thereby; (ii) contain and reflect all material adjustments for the fair presentation of the consolidated results of operations and the financial condition of the business of Sandspring and the Sandspring Subsidiaries for the periods covered thereby; and (iii) present fully, fairly and correctly, in accordance with IFRS, in all material respects, the assets and financial condition of Sandspring and the Sandspring Subsidiaries as at the dates thereof and the results of operations and the changes in financial position for the periods then ended;
- (u) there are no actions, suits, proceedings or inquiries, including, to the knowledge of Sandspring, pending or threatened, against or affecting Sandspring or the Sandspring Subsidiaries at law or in equity or before or by any Governmental Authority which in any way could reasonably be expected to result in a Sandspring Material Adverse Effect;
- (v) no order ceasing or suspending trading in securities of Sandspring or prohibiting the sale of securities by Sandspring has been issued that remains outstanding and, to its knowledge, no proceedings for this purpose have been instituted, are pending, contemplated or threatened by any securities commission, stock exchange or self-regulatory organization, and Sandspring is not in default of any material requirement of any Applicable Canadian Securities Laws;
- (w) Sandspring has no reason to believe that any reports or filings forming part of the Sandspring Disclosed Information, including without limitation any filings made pursuant to National Instrument 43-101, unreasonably overstate any data relating to any of Sandspring's or the Sandspring Subsidiaries' properties, in each case based on the facts and assumptions therein set forth;
- (x) Sandspring has not, directly or indirectly, declared or paid any dividend or declared or made any other distribution on any of its securities of any class, or, directly or indirectly, redeemed, purchased or otherwise acquired any of its securities or agreed to do any of the foregoing;
- (y) Sandspring has sufficiently accrued in its Sandspring Financial Statements an adequate reserve related to present or future abandonment costs, in accordance with IFRS;
- (z) Sandspring and the Sandspring Subsidiaries have no material assets other than as set forth in the Sandspring Financial Statements or the Sandspring Disclosure Letter. Sandspring and the Sandspring Subsidiaries have no liabilities of any nature (matured or unmatured, fixed or contingent) other than as set forth in the Sandspring Financial Statements or the Sandspring Disclosure Letter or as incurred in connection with the transactions contemplated hereby, other than liabilities which would not reasonably be expected to result in a Sandspring Material Adverse Effect;
- (aa) since the date of its incorporation, Subco has not conducted any active business (other than any business required in connection with the Arrangement), and has no material assets and no liabilities;
- (bb) no Person is or will be entitled to claim against Sandspring for any broker's or finder's fee or other commission or similar fee incurred by Sandspring in connection with any of,

or the consummation of any of, the transactions contemplated hereby or the Arrangement, other than as contemplated hereby;

- (cc) neither Sandspring nor any Sandspring Subsidiary is in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default under, any contract, agreement or licence to which it is a party or by which it is bound which would, if terminated or upon exercise of a right made available to a third party solely by a reason of such a default due to such default, individually or in the aggregate, have a Sandspring Material Adverse Effect. Neither Sandspring nor any Sandspring Subsidiary is in violation of any Applicable Laws which violation could have a Sandspring Material Adverse Effect;
- (dd) other than as disclosed in the Sandspring Disclosure Letter, neither Sandspring nor the Sandspring Subsidiaries is a party to any material contract or commitment; or a party to or bound by any guarantee, indemnification, surety or similar obligations; or a party to any (i) material joint venture or similar agreement; (ii) any note, bond, mortgage, instalment obligation, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument, obligation or document relating to the borrowing of money by the relevant company; or (iii) contract which will limit in any respect the freedom of any such company to compete in any line of business or with any Person in any way, except in any case which would not reasonably be expected to result in a Sandspring Material Adverse Effect;
- (ee) except as set forth in the Sandspring Financial Statements and/or the Sandspring Disclosure Letter, there are no contracts or other transactions currently in place between Sandspring, on the one hand, and: (i) any officer or director of Sandspring or any Sandspring Subsidiary; (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Sandspring; or (iii) any affiliate of any such officer, director or beneficial owner, on the other hand. Without limiting the generality of the foregoing, neither Sandspring nor any Sandspring Subsidiary has loaned any money to, or guaranteed the obligations of, any director, officer or employee of Sandspring or any Sandspring Subsidiary, or any Sandspring Shareholder;
- (ff) except as set forth in the Sandspring Disclosure Letter, Sandspring is not indebted to any of its directors, officers, employees or consultants, any of its shareholders or any of their respective associates or affiliates, except for amounts due as reimbursement for ordinary business expenses incurred within the previous 90 days;
- (gg) Sandspring does not have in effect any bonus plan, commission plan, profit sharing plan, pension plan, royalty plan or arrangement, defined benefit plan or employee benefit plan for the benefit of any of its employees, officers, directors or shareholders other than the Sandspring Option Plan, and has made no agreements or promises with respect to any such plans;
- (hh) Sandspring does not have in place or in effect any employment agreements, consulting agreements or other change of control agreements which provide for a payment accruing as a result of the Arrangement or that would be triggered in connection with the Arrangement as contemplated hereby (each such payment, a “**Sandspring Change of Control Payment**”), other than as set forth in the Sandspring Disclosure Letter;

- (ii) the operations of Sandspring are and have been conducted in accordance with good mining practices and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities, subject to exceptions which do not have a Sandspring Material Adverse Effect;
- (jj) the Sandspring Information contained in the Sandspring Circular shall not, at either (i) the first submission thereof by Sandspring to the TSXV; or (ii) the final effective date thereof, contain any misrepresentations, fail to be true and correct in any material respect or contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided, however, that no representation is made by Sandspring with respect to any PNO Information contained in the Sandspring Circular;
- (kk) provided that Sandspring shall have the right to participate in the preparation of the PNO Circular, the Sandspring Information contained in the PNO Circular shall not, at either (i) the time of the first submission thereof by PNO to the TSXV or NEX; or (ii) the final effective date thereof, contain any misrepresentations, fail to be true and correct in any material respect or contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided however, that no representation is made by Sandspring with respect to any other information contained in the PNO Circular;
- (ll) since the date of Sandspring Financial Statements, neither Sandspring nor any Sandspring Subsidiary has purchased, leased or otherwise acquired, or agreed to purchase, lease or otherwise acquire, any additional material properties or assets other than as set forth in the Sandspring Disclosed Information;
- (mm) the data and information in respect of Sandspring's and the Sandspring Subsidiaries' assets, liabilities, business and operations provided by Sandspring or its advisors to PNO or its advisors and/or as filed on SEDAR was and is accurate and correct in all material respects as at the respective dates thereof and, in respect of any information provided or requested, Sandspring did not knowingly omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof;
- (nn) the minute books, books of account and other records of Sandspring and the Sandspring Subsidiaries have (whether of a financial or accounting nature or otherwise) been maintained in accordance with, in all material respects, all Applicable Laws and are complete and accurate in all material respects;
- (oo) the directors on the board of directors of Sandspring eligible to vote in respect of the Arrangement have, unanimously approved the Arrangement and the entering into of this Agreement, and have unanimously determined that the Arrangement is in the best interest of Sandspring;
- (pp) except as set forth in the Sandspring Disclosure Letter, no director, officer, insider or other party not at arm's length to Sandspring has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, participation interest or any other interest whatsoever, in any properties of Sandspring or the Sandspring Subsidiaries;

- (qq) Sandspring is not a party to and, prior to the Effective Date, Sandspring will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Sandspring Shares or other securities of Sandspring or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or the Arrangement;
- (rr) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which Sandspring or any of the Sandspring Subsidiaries is a party or by which it is otherwise bound that would now or hereafter in any way may limit the business or operations of Sandspring or the Sandspring Subsidiaries in a particular manner or to a particular locality or geographic region or for a specified period of time and the execution, delivery and performance of this Agreement does not and will not result in any restriction of Sandspring or the Sandspring Subsidiaries from engaging in its business or from competing with any Person or in any geographic area;
- (ss) other than as set forth in the Sandspring Disclosure Letter, neither Sandspring nor any of the Sandspring Subsidiaries has any rights to purchase any assets, properties or undertakings of third parties nor have any obligation to sell assets, properties or undertakings with a value in excess of \$250,000 in the aggregate, under any agreements to purchase or sell that have not closed;
- (tt) other than as set forth in the Sandspring Disclosure Letter, the policies of insurance in force at the date hereof naming Sandspring or any of the Sandspring Subsidiaries as an insured adequately and reasonably cover the risks that are customarily covered in the industry in which Sandspring and the Sandspring Subsidiaries operate and having regard to the nature of the risk insured and the relative cost of obtaining insurance to protect Sandspring's interests, and each are in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated herein;
- (uu) Sandspring and the Sandspring Subsidiaries have all intellectual property necessary to permit them to conduct their businesses as presently conducted and as proposed to be conducted;
- (vv) Sandspring and each of the Sandspring Subsidiaries has not, directly or indirectly: (i) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction; or (ii) made any contribution to any candidate for public office, in either case, where either would be prohibited under the *Corruption and Foreign Public Officials Act* (Canada), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to Sandspring and each of the Sandspring Subsidiaries and their respective operations;
- (ww) no act or proceeding has been taken by or against Sandspring or any of the Sandspring Subsidiaries in connection with the dissolution, liquidation, winding up, bankruptcy or reorganization of Sandspring or any of the Sandspring Subsidiaries nor, to the knowledge of Sandspring, is any threatened, or for the appointment of a trustee, receiver, manager or other administrator of Sandspring or any of the Sandspring Subsidiaries or any of their respective properties or assets. None of Sandspring or any of the Sandspring Subsidiaries has sought protection under the *Bankruptcy and Insolvency Act* (Canada) or the *Company*

Creditors Arrangement Act (Canada) or applicable bankruptcy legislation outside Canada;

- (xx) Sandspring has set forth in the Sandspring Disclosure Letter all Sandspring Change of Control Payments payable, and provided PNO with copies of all related agreements;
 - (yy) no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of Sandspring or any Sandspring Subsidiary by way of certification, interim certification, voluntary recognition, designation or successor rights or has applied to have Sandspring or any Sandspring Subsidiary declared a related employer or successor employer pursuant to applicable labour legislation. Neither Sandspring nor any Sandspring Subsidiary has engaged in any unfair labour practices and, no strike, lock-out, work stoppage, or other labour dispute is occurring. To the knowledge of Sandspring, there are no threatened or pending strikes, work stoppages, picketing, lock-outs, hand-billings, boycotts, slowdowns or similar labour related disputes pertaining to Sandspring or any Sandspring Subsidiary. Neither Sandspring nor any Sandspring Subsidiary has engaged in any closing or lay-off activities within the past two years that would materially violate or in any way subject Sandspring or any Sandspring Subsidiary to the group termination or lay-off requirements of the Applicable Laws;
 - (zz) neither Sandspring nor any Sandspring Subsidiary has recognized any trade union or has any staff association, staff council, works council or other organisation formed for or arrangements having a similar purpose and no notification to any trade union, staff association, staff council, works council or other organisation formed for or in respect of any arrangements having a similar purpose is required by Sandspring or any Sandspring Subsidiary for the purpose of consummating the transactions contemplated by this Agreement;
 - (aaa) there has not been a reportable event (within the meaning of Section 4.11 of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators) with Sandspring's auditors; and
 - (bbb) the execution and delivery of, and the compliance with the terms of, this Agreement by Sandspring will not cause a suspension or revocation of any authorization for any consent, approval or license currently in effect which would have a Sandspring Material Adverse Effect.
17. **Representation and Warranties of PNO.** PNO represents and warrants to and in favour of Sandspring and Subco as follows, and acknowledges that Sandspring and Subco are relying upon such representations and warranties:
- (a) PNO is a corporation existing under the laws of the Province of British Columbia and has the corporate power and capacity to carry on its business as currently conducted; own, lease and operate its property and assets; and to enter into and perform its obligations under this Agreement in accordance with the provisions hereof and to complete the Arrangement;
 - (b) this Agreement has been duly authorized, executed and delivered by PNO and constitutes a valid and binding obligation of PNO enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in Applicable Laws

relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally, and to the qualification that equitable remedies, including specific performance, are discretionary and may not be ordered) and no other corporate proceeding on the part of PNO, other than the approval of the Arrangement by the holders of the PNO Shares and approval of the board of directors of the PNO Circular, is necessary to authorize the transactions contemplated under this Agreement;

- (c) there is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority, or to obtain any consent, approval or authorization of any other Person (other than the approval of holders of the PNO Shares as required by the BC Act and the approval of the Court), as a condition to the lawful completion of the transactions contemplated by this Agreement, including specifically the Arrangement, except for the filing of the Amalgamation Filings, and other filings, notifications and authorizations required under Applicable Laws and the rules of the NEX and TSXV;
- (d) PNO has made all material filings required under Applicable Laws with the applicable Governmental Authorities, all such filings have been made in a timely manner, and all such filings and information and statements contained therein and any other information or statements disseminated to the public by PNO were true, correct and complete in all material respects and did not contain any misrepresentation, as at the date of such information or statements, and PNO has not filed any confidential material change reports which continue to be confidential;
- (e) PNO has no direct or indirect Subsidiaries or branches;
- (f) the authorized capital of PNO consists of an unlimited number of PNO Shares, of which 12,441,642 PNO Shares are issued and outstanding as of the date of this Agreement, all of which shares have been duly authorized and validly issued, and are fully paid and non-assessable and are not subject to, nor issued in violation of, any pre-emptive rights;
- (g) no Person holds any securities convertible or exchangeable into securities of PNO or now has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, option or right for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of PNO as of the date hereof, other than: (i) an aggregate of 1,235,000 PNO Options, each entitling the holder thereof to acquire one PNO Share; and (ii) an aggregate of 5,000,000 PNO Warrants, each entitling the holder to acquire one PNO Share;
- (h) since June 30, 2014, except for the Arrangement: (i) there has been no PNO Material Adverse Effect (or any condition, event or development involving a prospective change that would result in a PNO Material Adverse Effect); (ii) PNO has conducted its business only in the ordinary and normal course; and (iii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to PNO has been incurred other than in the ordinary and normal course of business or pursuant to any transaction contemplated hereby;

- (i) (i) all Taxes due and payable or required to be collected or withheld and remitted, by PNO have been paid, collected or withheld and remitted, as applicable; (ii) all Tax Returns required to be filed by PNO have been filed with all appropriate Governmental Authorities and all such Tax Returns are complete and accurate and no material fact or facts have been omitted therefrom that would make any of them misleading; (iii) no examination of any Tax Return of PNO is currently in progress and there are no issues or disputes outstanding with any Governmental Authority respecting any taxes that have been paid, or may be payable, by PNO; and (iv) there are no agreements, waivers or other arrangements with any taxation authority providing for an extension of time for any assessment or reassessment of Taxes with respect to PNO;
- (j) PNO is now, and on the Effective Date will be, a reporting issuer in the provinces of British Columbia, Alberta, Ontario and Quebec. The issued and outstanding PNO Shares are listed and posted for trading on the NEX and PNO is in material compliance with the policies of the NEX;
- (k) to PNO's knowledge, PNO (i) is a Foreign Private Issuer; (ii) has no class of securities outstanding that is or is required to be registered under Section 12 of the U.S. Exchange Act or that is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act; and (iii) is not registered or required to register, and will not as a result of the completion of the Arrangement and the issuance of the securities in connection therewith, be required to register as an investment company under the United States Investment Company Act;
- (l) PNO is not in default or breach of this Agreement, and none of the execution and delivery of, the compliance with the terms of, this Agreement by PNO, or the completion of the Arrangement in accordance with the terms hereof, will result in a breach, violation, conflict, default, termination or acceleration of, or create a state of facts which, after notice or lapse of time or both, will result in a breach, violation, conflict, default, termination or acceleration of, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of PNO under: (i) any of the terms, conditions or provisions of the constating documents or by-laws or resolutions of the directors or shareholders of PNO; (ii) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument, obligation or document to which PNO is a party or will be contractually bound as of the Effective Date or to which its properties or assets may be subject; (iii) any statute, rule, judgment, ruling, decree, order, injunction, determination, award, ordinance, or regulation, applicable to or binding on PNO, or its assets (except, in the case of each of clauses (i), (ii) and (iii) above, for such breaches, violations, conflicts, defaults, terminations or accelerations which would not have a PNO Material Adverse Effect);
- (m) neither the execution and delivery of, and the compliance with the terms of, this Agreement by PNO, nor the completion of the Arrangement in accordance with the terms hereof, will cause a suspension or revocation of any authorization for the consent, approval or license currently in effect which would have a PNO Material Adverse Effect;
- (n) the PNO Financial Statements: (i) are, in all material respects, consistent with the books and records of PNO for the periods covered thereby; (ii) contain and reflect all material adjustments for the fair presentation of the consolidated results of operations and the financial condition of the business of PNO for the periods covered thereby; and (iii) present fully, fairly and correctly, in accordance with IFRS, in all material respects, the

assets and financial condition of PNO as at the dates thereof and the results of operations and the changes in financial position for the periods then ended;

- (o) there are no actions, suits, proceedings or inquiries, including, to the knowledge of PNO, pending or threatened, against or affecting PNO, at law or in equity or before or by any Governmental Authority which in any way could reasonably be expected to result in a PNO Material Adverse Effect;
- (p) no order ceasing or suspending trading in securities of PNO or prohibiting the sale of securities by PNO has been issued that remains outstanding and, to its knowledge, no proceedings for this purpose have been instituted, are pending, contemplated or threatened by any securities commission, stock exchange or self-regulatory organization, and PNO is not in default of any material requirement of any Applicable Canadian Securities Laws;
- (q) PNO has not, directly or indirectly, declared or paid any dividend or declared or made any other distribution on any of its securities of any class, or, directly or indirectly, redeemed, purchased or otherwise acquired any of its securities or agreed to do any of the foregoing;
- (r) PNO has sufficiently accrued in its PNO Financial Statements an adequate reserve related to present or future abandonment costs, in accordance with IFRS;
- (s) PNO has no material assets other than as set forth in the PNO Financial Statements. PNO has no liabilities of any nature (matured or unmatured, fixed or contingent) other than as set forth in the PNO Financial Statements or as may be incurred in connection with the transactions contemplated hereby, other than liabilities which would not reasonably be expected to result in a PNO Material Adverse Effect;
- (t) PNO is not in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default under, any contract, agreement or licence to which it is a party or by which it is bound which would, if terminated or upon exercise of a right made available to a third party solely by a reason of such a default due to such default, individually or in the aggregate, have a PNO Material Adverse Effect. PNO is not in violation of any Applicable Laws which violation could have a PNO Material Adverse Effect;
- (u) no Person is or will be entitled to claim against PNO for any broker's or finder's fee or other commission or similar fee incurred by PNO in connection with any of, or the consummation of any of, the transactions contemplated hereby or the Arrangement, other than as contemplated hereby;
- (v) PNO is not a party to any material contract or commitment; or a party to or bound by any guarantee, indemnification, surety or similar obligations; or a party to any (i) material joint venture or similar agreement; (ii) any note, bond, mortgage, instalment obligation, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument, obligation or document relating to the borrowing of money by the relevant company; or (iii) contract which will limit in any respect the freedom of any such company to compete in any line of business or with any Person in any way, except in any case which would not reasonably be expected to result in a PNO Material Adverse Effect;

- (w) except as set forth in the PNO Disclosure Letter, there are no contracts or other transactions currently in place between PNO, on the one hand, and: (i) any officer or director of PNO; (ii) any holder of record or beneficial owner of 10% or more of the voting securities of PNO; or (iii) any affiliate of any such officer, director or beneficial owner, on the other hand. Without limiting the generality of the foregoing, PNO has not loaned any money to, or guaranteed the obligations of, any director, officer or employee of PNO, or any PNO Shareholder;
- (x) PNO is not indebted to any of its directors, officers, employees or consultants, any of its shareholders or any of their respective associates or affiliates;
- (y) PNO does not have in effect any bonus plan, commission plan, profit sharing plan, pension plan, royalty plan or arrangement, defined benefit plan or employee benefit plan for the benefit of any of its employees, officers, directors or shareholders other than PNO's share option plan, and has made no agreements or promises with respect to any such plans;
- (z) PNO does not have in place or in effect any employment agreements, consulting agreements or other change of control agreements which provide for a payment accruing as a result of the Arrangement or other change of control of PNO that would be triggered in connection with the Arrangement as contemplated hereby;
- (aa) the PNO Information contained in the PNO Circular shall not, at either: (i) the time of the first submission thereof by PNO to the NEX or TSXV; or (ii) the final effective date thereof, contain any misrepresentations, fail to be true and correct in any material respect or contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided however, that no representation is made by PNO with respect to any Sandspring Information contained in the PNO Circular;
- (bb) provided that PNO shall have the right to participate in the preparation of the Sandspring Circular, the PNO Information contained in the Sandspring Circular shall not, at either (i) the time of the first submission thereof by Sandspring to the TSXV; or (ii) the final effective date thereof, contain any misrepresentations, fail to be true and correct in any material respect or contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided however, that no representation is made by PNO with respect to any other information contained in the Sandspring Circular;
- (cc) since the date of PNO Financial Statements, PNO has not purchased, leased or otherwise acquired, or agreed to purchase, lease or otherwise acquire, any additional properties or assets;
- (dd) the data and information in respect of PNO's assets, liabilities, business and operations provided by PNO or its advisors to Sandspring or its advisors and/or as filed on SEDAR was and is accurate and correct in all material respects as at the respective dates thereof and, in respect of any information provided or requested, PNO did not knowingly omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof;

- (ee) the minute books, books of account and other records of PNO have (whether of a financial or accounting nature or otherwise) been maintained in accordance with, in all material respects, all Applicable Laws and are complete and accurate in all material respects;
- (ff) the directors on the board of directors of PNO eligible to vote in respect of the Arrangement have unanimously approved the Arrangement and the entering into of this Agreement, have unanimously determined that the Arrangement is fair, from a financial point of view, to the PNO Shareholders and have resolved to unanimously recommend approval of the Arrangement by PNO Shareholders (which recommendation shall be contained in the PNO Circular);
- (gg) no director, officer, insider or other party not at arm's length to PNO has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, participation interest or any other interest whatsoever, in any properties of PNO;
- (hh) PNO is not a party to and, prior to the Effective Date, PNO will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire PNO Shares or other securities of PNO or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or the Arrangement;
- (ii) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which PNO is a party or by which it is otherwise bound that would now or hereafter in any way may limit the business or operations of PNO in a particular manner or to a particular locality or geographic region or for a specified period of time and the execution, delivery and performance of this Agreement does not and will not result in any restriction of PNO from engaging in its business or from competing with any Person or in any geographic area;
- (jj) PNO does not have any rights to purchase any assets, properties or undertakings of third parties nor does it have any obligation to sell assets, properties or undertakings with a value in excess of \$250,000 in the aggregate, under any agreements to purchase or sell that have not closed;
- (kk) PNO does not have in force any policies of insurance at the date hereof;
- (ll) PNO has not, directly or indirectly: (i) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction; or (ii) made any contribution to any candidate for public office, in either case, where either would be prohibited under the *Corruption and Foreign Public Officials Act* (Canada), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to PNO and its operations;
- (mm) no act or proceeding has been taken by or against PNO in connection with the dissolution, liquidation, winding up, bankruptcy or reorganization of PNO nor, to the knowledge of PNO, is any threatened, or for the appointment of a trustee, receiver, manager or other administrator of PNO or any of its properties or assets. PNO has not sought protection under the *Bankruptcy and Insolvency Act* (Canada) or the *Company*

Creditors Arrangement Act (Canada) or applicable bankruptcy legislation outside Canada;

- (nn) no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of PNO by way of certification, interim certification, voluntary recognition, designation or successor rights or has applied to have PNO declared a related employer or successor employer pursuant to applicable labour legislation. PNO has not engaged in any unfair labour practices and, no strike, lock-out, work stoppage, or other labour dispute is occurring. To the knowledge of PNO, there are no threatened or pending strikes, work stoppages, picketing, lock-outs, hand-billings, boycotts, slowdowns or similar labour related disputes pertaining to PNO. PNO has not engaged in any closing or lay-off activities within the past two years that would materially violate or in any way subject PNO to the group termination or lay-off requirements of the Applicable Laws;
- (oo) PNO has not recognized any trade union or has any staff association, staff council, works council or other organisation formed for or arrangements having a similar purpose and no notification to any trade union, staff association, staff council, works council or other organisation formed for or in respect of any arrangements having a similar purpose is required by PNO for the purpose of consummating the transactions contemplated by this Agreement;
- (pp) there has not been a reportable event (within the meaning of Section 4.11 of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators) with PNO's auditors; and
- (qq) the execution and delivery of, and the compliance with the terms of, this Agreement by PNO will not cause a suspension or revocation of any authorization for any consent, approval or license currently in effect which would have a PNO Material Adverse Effect.

18. **Representations and Warranties of Subco.** Subco represents and warrants to and in favour of PNO and Sandspring as follows, and acknowledges that PNO and Sandspring are relying upon such representations and warranties:

- (a) Subco is a corporation existing under the laws of the Province of British Columbia;
- (b) Subco has the power and capacity and is duly authorized to execute and deliver, and perform its obligations under, this Agreement and this Agreement is a valid and binding agreement, enforceable against Subco in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in Applicable Laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally, and to the qualification that equitable remedies, including specific performance, are discretionary and may not be ordered) and no other proceeding on the part of Subco, other than the approval of the Arrangement by Sandspring, as sole shareholder of Subco, is necessary to authorize the transactions contemplated under this Agreement;
- (c) Subco has been incorporated solely for the purpose of the Arrangement and has never carried on any active business (other than such business required in connection with the Arrangement), and has no material assets and no liabilities;

- (d) there is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority, or to obtain any consent, approval or authorization of any other Person (other than the approval of the sole shareholder of Subco as required by the BC Act and the approval of the Court), as a condition to the lawful completion of the transactions contemplated by this Agreement, including specifically the Arrangement, except for the filing of Amalgamation Filings giving effect to the Arrangement and other filings, notifications and authorizations required under applicable securities laws and the rules of NEX and the TSXV;
- (e) there are no actions, suits, proceedings or inquiries, including, to the knowledge of Subco, pending or threatened, against or affecting Subco at law or in equity or before any Governmental Authority; and
- (f) the authorized capital of Subco consists of an unlimited number of Subco Shares. An aggregate of ten (10) Subco Shares are issued and outstanding, all of which are owned by Sandspring. All outstanding Subco Shares have been duly authorized and validly issued, and are fully paid and non-assessable and are not subject to, nor issued in violation of, any pre-emptive rights. No Person holds any securities convertible or exchangeable into securities of Subco, or now has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, option or right for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of Subco.

19. **Mutual Conditions Precedent.** The respective obligations of the parties hereto to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date, of the following conditions, any of which may be waived by the mutual consent of such parties without prejudice to their right to rely on any other of such conditions, subject to the last paragraph of this Section 19:

- (a) the Consolidation Resolution shall be approved by the Sandspring Shareholders by requisite approval of such shareholders at the Sandspring Meeting, all in accordance with the applicable provisions of the Act and the TSXV;
- (b) the Arrangement shall be approved by Sandspring as the sole shareholder of Subco by way of written resolution executed by such sole shareholder, all in accordance with the applicable provisions of the BC Act;
- (c) the Arrangement Resolution shall be approved by the PNO Shareholders by requisite approval of such shareholders (including minority approval as required) at the PNO Meeting, all in accordance with the applicable provisions of the BC Act, the NEX and Applicable Canadian Securities Laws;
- (d) PNO shall have provided notice of the Arrangement to the holders of the PNO Warrants in accordance with the terms thereof;
- (e) the Interim Order and the Final Order shall each have been obtained in form and terms satisfactory to each of Sandspring and PNO, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such parties, acting reasonably, on appeal or otherwise;

- (f) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement, including, without limitation, the Arrangement;
- (g) all necessary third party and regulatory and governmental approvals, waivers and consents in respect of the transactions contemplated herein (each, a “**Third Party Approval**”) shall have been obtained on terms and conditions satisfactory to Sandspring and PNO, each acting reasonably, including, without limitation, the conditional approvals of the TSXV and NEX with respect to the Arrangement, the conditional approval of the TSXV with respect to the Consolidation and the conditional approval of NEX with respect to the Private Placement;
- (h) no action or proceeding shall be pending or threatened by any Person and there shall be no action taken under any existing Applicable Laws that:
 - (i) make illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
 - (ii) result in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (i) all necessary actions shall have been taken with respect to the Arrangement so that the securities to be issued pursuant to the Arrangement shall be exempt from the registration requirements of the U.S. Securities Act pursuant to the Section 3(a)(10) Exemption and similar exemptions under all applicable state securities laws and the Final Order will serve as a basis of a claim to a Section 3(a)(10) Exemption regarding the distribution of the securities to be issued pursuant to the Arrangement;
- (j) this Agreement shall not have been terminated pursuant to Section 24 hereof;
- (k) the Amalgamation Filings shall be in form and substance satisfactory to each of Sandspring and PNO, acting reasonably;
- (l) the distribution of the securities in the United States pursuant to the Arrangement shall be exempt from the registration requirements under the U.S. Securities Act and, except with respect to Persons deemed “affiliates” of Sandspring (as defined in Rule 405 under the U.S. Securities Act) after the Effective Date and Persons deemed “affiliates” of Sandspring within 90 days prior to the Effective Date and Persons deemed “affiliates” of PNO at such time the Arrangement is submitted for vote or consent, the securities to be distributed in the United States pursuant to the Arrangement shall not be subject to resale restrictions under the U.S. Securities Act; provided however, that any options or warrants issued pursuant to the Arrangement may not be exercised in the United States or on behalf or for the benefit of, a U.S. Person or a Person in the United States, unless registered under the U.S. Securities Act and applicable state law or an exemption is available from such registration requirements, and the holder furnishes to Sandspring an opinion of counsel or other documentation satisfactory to Sandspring to such effect;
- (m) holders of not greater than five percent (5%) of the outstanding PNO Shares shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as at the Effective Date;

- (n) the Private Placement shall have been completed to raise minimum aggregate gross proceeds of \$2,500,000; and
- (o) the securities issued by PNO in the Private Placement shall be exempt from the registration requirements under the U.S. Securities Act.

The conditions described above are for the mutual benefit of Sandspring, PNO and Subco and may be asserted by Sandspring, PNO and Subco, as applicable, regardless of the circumstances, and such conditions (other than the conditions set forth in Sections 19(a), 19(b), 19(c) and 19(e) above) may be waived by Sandspring, PNO and Subco, as applicable, in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Sandspring, PNO and Subco may have.

20. **Conditions to Obligations of Sandspring and Subco.** The obligations of Sandspring and Subco to consummate the transactions contemplated hereby and in particular the issue of the Sandspring Post-Consolidation Shares in connection with the Arrangement, are subject to the satisfaction, on or before the Effective Date (or such other time specified in respect thereof), of the following conditions:

- (a) PNO shall have complied in all respects with its covenants herein (without giving effect to, applying or taking into consideration any materiality qualification already contained in such covenant or obligation), except where the failure to comply in all respects with such covenants, individually or in the aggregate, would not reasonably be expected to have a PNO Material Adverse Effect or would not reasonably be expected to significantly impede the ability of the parties to complete the Arrangement; provided that PNO shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Sandspring (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Termination Deadline); and there shall not have occurred any PNO Material Adverse Effect from and after the date hereof to the Effective Date;
- (b) Sandspring and Subco shall have received a certificate from a senior officer of PNO confirming that the applicable conditions set forth in Sections 19 and 20 hereof have been satisfied;
- (c) the representations and warranties of PNO set forth in this Agreement shall be true and correct (without giving effect to, applying or taking into consideration any materiality qualification already contained in such representation and warranty) as of the date of this Agreement and shall be true and correct as of the Effective Date as if made by PNO immediately preceding the Arrangement on the Effective Date (except to the extent such representations and warranties speak as of an earlier date or, with respect to all representations and warranties, except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, either: (i) is a result of the Private Placement or the Loan; or (ii) would not result or would not reasonably be expected to result in a PNO Material Adverse Effect or would not, or would not reasonably be expected to, materially impede the ability of the parties to complete the Arrangement, provided that PNO shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Sandspring (except that no cure period shall be provided for a breach which by its nature

cannot be cured and, in no event, shall any cure period extend beyond the Termination Deadline);

- (d) the board of directors of PNO shall have adopted all necessary resolutions to permit the consummation of the Arrangement, this Agreement and all related matters contemplated in connection therewith as set forth herein;
- (e) the board of directors of PNO shall have made and not withdrawn, modified or amended, in any material respect, an affirmative recommendation that the PNO Shareholders approve the Arrangement;
- (f) PNO shall have furnished Sandspring with certified copies of:
 - (i) the resolutions, duly passed by the board of directors of PNO approving the Arrangement, this Agreement and the consummation of the transactions contemplated hereby; and
 - (ii) the Arrangement Resolution duly passed at the PNO Meeting, approving the Arrangement in accordance with the terms hereof;
- (g) immediately prior to the Arrangement Effective Time, Sandspring shall be satisfied there shall not be more than 12,441,642 PNO Shares outstanding (prior to the exercise of any PNO Warrants and PNO Options, and without giving effect to the Private Placement) and Sandspring shall be satisfied that upon completion of the Arrangement no Person shall have any agreement, option or any right or privilege (whether by law, pre-emptive, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any issued or unissued, PNO Shares (other than with respect to the PNO Warrants and PNO Options, or any convertible securities issued or issuable pursuant to the Private Placement);
- (h) all severance obligations to management and employees of PNO in connection with the Arrangement shall be nil and PNO shall have provided to Sandspring a certificate of a senior officer certifying (without personal liability) such facts on the Effective Date;
- (i) Sandspring shall be satisfied that PNO has Net Cash on Hand as of the Closing Date of approximately Cdn\$1,050,000 (which, for greater certainty, shall be calculated after giving effect to the Loan), less reasonable transaction and normal administration costs; and
- (j) the Loan shall have been advanced in accordance with the terms and conditions set forth herein.

The conditions described above are for the exclusive benefit of Sandspring and Subco and may be asserted by Sandspring and Subco regardless of the circumstances, and such conditions (other than the condition set forth in Section 20(d) above) may be waived by Sandspring and Subco in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Sandspring and Subco may have.

21. **Conditions to Obligations of PNO.** The obligations of PNO 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 in respect thereof), of the following conditions:

- (a) Sandspring and Subco shall have complied in all respects with their respective covenants herein (without giving effect to, applying or taking into consideration any materiality qualification already contained in such covenant or obligation), except where the failure to comply in all respects with such covenants, individually or in the aggregate, would not reasonably be expected to have a Sandspring Material Adverse Effect or would not reasonably be expected to significantly impede the ability of the parties to complete the Arrangement; provided that Sandspring and Subco shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from PNO (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Termination Deadline); and there shall not have occurred any Sandspring Material Adverse Effect from and after the date hereof to the Effective Date;
- (b) PNO shall have received a certificate from a senior officer of each of Sandspring and Subco confirming that the applicable conditions set forth in Sections 19 and 21 hereof have been satisfied;
- (c) the representations and warranties of Sandspring and Subco set forth in this Agreement shall be true and correct (without giving effect to, applying or taking into consideration any materiality qualification already contained in such representation and warranty) as of the date of this Agreement and shall be true and correct as of the Effective Date as if made by Sandspring and Subco, respectively, immediately preceding the Arrangement on the Effective Date (except to the extent such representations and warranties speak as of an earlier date or, with respect to all representations and warranties, except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Sandspring Material Adverse Effect or would not, or would not reasonably be expected to, materially impede the ability of the parties to complete the Arrangement, provided that Sandspring shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from PNO (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Termination Deadline);
- (d) the board of directors of each of Sandspring and Subco shall have adopted all necessary resolutions to permit the consummation of the Arrangement, this Agreement and all related matters contemplated in connection therewith as set forth herein;
- (e) the board of directors of Sandspring shall have made and not withdrawn, modified or amended, in any material respect, an affirmative recommendation that the Sandspring Shareholders approve the Consolidation;
- (f) Sandspring shall have furnished PNO with certified copies of:
 - (i) the resolutions, duly passed by the board of directors of Sandspring: (A) approving the Arrangement, this Agreement and the consummation of the transactions contemplated hereby; and (B) conditionally allotting for issuance the aggregate number of Sandspring Post-Consolidation Shares that may be required

to be issued in accordance with the terms of this Agreement upon the Arrangement taking effect;

- (ii) the Consolidation Resolution duly passed at the Sandspring Meeting in accordance with the terms hereof; and
 - (iii) the written resolution of the sole shareholder of Subco approving the Arrangement in accordance with the terms hereof;
- (g) immediately prior to the Arrangement Effective Time, PNO shall be satisfied that (i) there shall not be more than 48,236,262 Sandspring Post-Consolidation Shares outstanding (prior to the exercise of any Sandspring Warrants and Sandspring Options) and PNO shall be satisfied that upon completion of the Arrangement, no Person shall have any agreement, option or any right or privilege (whether by law, pre-emptive, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any issued or unissued, Sandspring Post-Consolidation Shares (other than with respect to the Sandspring Warrants and Sandspring Options and any existing contractual obligations of Sandspring);
- (h) the Sandspring Change of Control Payments shall not exceed the amount set forth in the Budget and Sandspring shall have provided to PNO a certificate of a senior officer certifying (without personal liability) such facts on the Effective Date; and
- (i) Sandspring shall have furnished PNO with resignations from three directors of Sandspring effective as of the Effective Date, in order to facilitate the reconstitution of the board of directors of Sandspring as contemplated pursuant to subsection 3(i) above.

The conditions described above are for the exclusive benefit of PNO and may be asserted by PNO regardless of the circumstances, and such conditions (other than the condition set forth in Section 21(d) above) may be waived by PNO in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which PNO may have.

22. **Notice and Effect of Failure to Comply with Conditions.** Each of PNO and Sandspring (on its behalf and on behalf of Subco) shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any material change in its business, operations or assets, or cause any of the representations or warranties of any party contained herein to be untrue or inaccurate in any material respect (other than in the case of PNO, as a result of the Private Placement or Loan); or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party hereunder provided, however, that no such notification will affect the representations or warranties of the parties or the conditions to the obligations of the parties hereunder. Each of PNO and Sandspring shall in good faith discuss with the other any change in circumstances (actual, anticipated, contemplated, or to the knowledge of such party, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other party pursuant to this provision. The conditions set out in Sections 19, 20 and 21 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, the Amalgamation Filings are filed under the BC Act.
23. **Amendment.** This Agreement may at any time and from time to time be amended by written agreement of the parties hereto without, subject to Applicable Law, 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 hereto;
- (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 contained herein and waive or modify performance of any of the obligations of the parties hereto; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment shall change the provisions hereof regarding the consideration to be received by PNO Shareholders in exchange for their PNO Shares without approval by the PNO Shareholders given in the same manner as required for the approval of the Arrangement and approval of the Court. The parties may agree to amend the Plan of Arrangement as set forth in Article 6 of the Plan of Arrangement.

24. **Termination.** This Agreement may be terminated:

- (a) at any time prior to the Arrangement Effective Time, by mutual written agreement of the parties hereto, without further action on the part of the shareholders of PNO, Sandspring or Subco, and upon compliance with Section 298 of the BC Act if termination occurs after the Final Order has been obtained;
- (b) at any time after the Termination Deadline, by either PNO or Sandspring (on its behalf and on behalf of Subco), if the Arrangement Effective Time has not occurred on or before such date, without further action on the part of the shareholders of PNO, Sandspring or Subco and provided that the event giving rise to the termination right is not the result, directly or indirectly, of such terminating party's breach of this Agreement;
- (c) by Sandspring upon written notice by Sandspring (on its behalf and on behalf of Subco) to PNO, at any time prior to the Effective Date: (i) if any of the conditions required to be satisfied hereunder pursuant to Section 19 or 20 hereof (other than any of the conditions set forth under Sections 19(a), 19(b), 19(c), or 19(j) if the failure to satisfy such condition under Section 19(j) is the result of PNO Shareholders not having approved the Arrangement Resolution at the PNO Meeting and/or Sandspring Shareholders not having approved the Consolidation Resolution at the Sandspring Meeting, or Section 20(e)), have not been satisfied (or waived by Sandspring, on its own behalf and on behalf of Subco, to the extent permitted hereunder) prior to the Effective Date; or (ii) if PNO is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein, and other than as a result of the Private Placement or the Loan) or covenants made in this Agreement which breach individually or in the aggregate causes or would be reasonably expected to cause a PNO Material Adverse Effect (subject to the application of the cure periods provided herein); and in each case, provided that the event giving rise to the termination right is not the result, directly or indirectly, of such terminating party's breach of this Agreement;
- (d) by PNO upon written notice by PNO to Sandspring (on its own behalf and on behalf of Subco), at any time prior to the Effective Date: (i) if any of the conditions required to be

satisfied hereunder pursuant to Section 19 or 21 hereof (other than any of the conditions set forth under Sections 19(a), 19(c), 19(d), or 19(j) if the failure to satisfy such condition under Section 19(j) is the result of PNO Shareholders not having approved the Arrangement Resolution at the PNO Meeting and/or Sandspring Shareholders not having approved the Consolidation Resolution at the Sandspring Meeting, or Section 21(e)) have not been satisfied (or waived by PNO, to the extent permitted hereunder) prior to the Effective Date; or (ii) if Sandspring or Subco is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) or covenants made in this Agreement which breach individually or in the aggregate causes or would be reasonably expected to cause a Sandspring Material Adverse Effect (subject to the application of the cure periods provided herein); and in each case, provided that the event giving rise to the termination right is not the result, directly or indirectly, of such terminating party's breach of this Agreement;

- (e) by either PNO or Sandspring, upon written notice by such party to the other party (in the case of a notice given to or by Sandspring, on its own behalf and on behalf of Subco), at any time prior to the Effective Date, if the PNO Shareholders fail to approve the Arrangement Resolution at the PNO Meeting and/or the Sandspring Shareholders fail to approve the Consolidation Resolution at the Sandspring Meeting, as applicable, and in each case, provided that the event giving rise to the termination right is not the result, directly or indirectly, of such terminating party's breach of this Agreement;
- (f) by either PNO or Sandspring upon written notice by such party to the other party (in the case of a notice given to or by Sandspring, on its own behalf and on behalf of Subco), at any time prior to the Effective Date, in accordance with the circumstances set forth in Section 30 below; provided that if the terminating party is the Accepting Party (as defined in Section 30), such Accepting Party has complied with the provisions of Sections 29, 30 and 31 hereof;
- (g) provided Sandspring and Subco are not in material breach of this Agreement, upon written notice by Sandspring (on its behalf and on behalf of Subco) to PNO, at any time prior to the Effective Date if any of the conditions required to be satisfied hereunder pursuant to Section 20(e), have not been satisfied (or waived by Sandspring, on its own behalf and on behalf of Subco);
- (h) provided PNO is not in material breach of this Agreement, upon written notice by PNO to Sandspring, at any time prior to the Effective Date if any of the conditions required to be satisfied hereunder pursuant to Section 21(e), have not been satisfied (or waived by PNO); or
- (i) by PNO upon written notice by PNO to Sandspring (on its own behalf and on behalf of Subco), at any time prior to the Effective Date if Sandspring accepts or publicly supports a Take-over Proposal, which Take-over Proposal does not require as a condition that Sandspring terminate this Agreement, and which has not been determined to be a Superior Proposal by Sandspring's board of directors.

Following the termination of this Agreement in accordance with any of the above provisions, this agreement will terminate but the provisions in Sections 26 (Costs and Expenses), 28 (Confidentiality) and 31 (Termination Fee) shall remain binding and enforceable and in full force and effect, and provided that neither the termination of this Agreement nor anything contained in this Section 24 shall relieve either party from any liability for any breach by it of this Agreement,

including from any inaccuracy in any of its representations and warranties and any non-performance by it of its covenants made herein, prior to the date of such termination, other than as specifically set forth herein. If this Agreement is terminated pursuant to any provision of this Agreement, the parties shall return all materials and copies of all materials delivered to PNO or Sandspring, as the case may be, or their respective Representatives.

25. **Survival.** The representations and warranties of PNO, Subco and Sandspring contained in this Agreement or any document or certificate given pursuant hereto shall terminate as of the Effective Date.
26. **Costs and Expenses.** The parties acknowledge and agree that, whether or not the transactions contemplated hereby are completed, all costs and expenses relating to the transactions contemplated by this Agreement will be paid by the party incurring same.
27. **Binding Effect.** This Agreement shall be binding upon and enure to the benefit of the parties hereto.
28. **Confidentiality.**

- (a) **“Confidential Information”** means any information relating to the disclosing party’s businesses, operations, assets, liabilities, plans, prospects or affairs, or to the transactions contemplated hereby, which has been or is disclosed to or acquired by the receiving party regardless of whether such information is in oral, visual, electronic, written or other form and whether or not it is identified as “confidential”.

Confidential Information does not include any information that:

- (i) is or becomes generally available to the public other than as a result of disclosure directly or indirectly by the receiving party or its Representatives;
 - (ii) is or becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party unless the receiving party knows after reasonable inquiry that such source is prohibited from disclosing the information to the receiving party by a contractual, fiduciary or other legal obligation to the disclosing party; or
 - (iii) the receiving party can show was independently acquired or developed by the receiving party prior to the disclosure by the other party and without the use of any Confidential Information.
- (b) The receiving party shall keep confidential the Confidential Information, shall not disclose the Confidential Information in any manner whatsoever, in whole or in part, except as permitted by this Section 28, and shall use the Confidential Information solely to carry out the transactions contemplated hereby and not directly or indirectly for any other purpose.
 - (c) The receiving party shall not disclose to any Person the fact that the Confidential Information has been made available, this Agreement has been entered into, discussions or negotiations are taking place or have taken place concerning a possible transaction, or any of the terms, conditions or other facts with respect to the foregoing, including the status thereof, except as permitted by this Agreement. Notwithstanding the foregoing, the parties acknowledge and agree that Sandspring and PNO shall each be required to

disclose the terms hereof in accordance with the applicable timely disclosure obligations and the regulations of the TSXV and NEX.

- (d) The receiving party may disclose Confidential Information to its Representatives but only to the extent that such Representatives need to know the Confidential Information for the purposes of carrying out the transactions contemplated hereby, have been informed of the confidential nature of the Confidential Information, are directed to hold the Confidential Information in the strictest confidence, and agree to act in accordance with the terms and conditions of this Agreement. Each party shall cause its Representatives to observe the terms of this Agreement and is responsible for any breach by its Representatives of any of the provisions of this Agreement.
- (e) The disclosure restrictions contained in this Agreement do not apply to disclosure that is required by Applicable Laws, unless the receiving party is permitted or required by Applicable Law to refrain from making such disclosure for confidentiality or other reasons, or that the disclosing party gives the receiving party prior written consent to disclose. Prior to making any disclosure pursuant to Applicable Laws, the receiving party shall, to the extent not prohibited by Applicable Laws:
 - (i) give the disclosing party prompt notice of the requirement and the proposed content of any disclosure;
 - (ii) at the disclosing party's request and expense, co-operate with the disclosing party in limiting the extent of the disclosure and in obtaining an appropriate protective order or pursuing such legal action, remedy or assurance as the disclosing party deems necessary to preserve the confidentiality of the Confidential Information, at the disclosing party's cost; and
 - (iii) if a protective order or other remedy is not obtained or the disclosing party fails to waive compliance with the provisions of this Agreement, disclose only that portion of the Confidential Information that it is required to disclose and exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment is given to the Confidential Information disclosed.
- (f) The receiving party shall make the same efforts to safeguard the Confidential Information as it makes to safeguard its own confidential and proprietary business information, or all commercially reasonable efforts to safeguard the Confidential Information if such efforts would impose on it a higher standard of care.
- (g) If this Agreement is terminated pursuant to Section 24, each party shall, subject to Section 28(h), within seven (7) Business Days of such termination:
 - (i) return all Confidential Information to the disclosing party without retaining any copies; or
 - (ii) destroy or permanently erase all copies of the Confidential Information; and
 - (iii) certify to the disclosing party in writing that this Section 28(g) has been complied with.

Return or destruction of Confidential Information shall not minimize the receiving party's obligation to protect and maintain the Confidential Information in the strictest confidence as provided for herein.

- (h) Despite Section 28(g), Sandspring and PNO may each retain data or electronic records containing the Confidential Information solely for the purposes of backup, recovery, contingency planning or business continuity planning so long as such data or records are not accessible in the ordinary course of business and are not accessed except as required for backup, recovery, contingency planning or business continuity purposes. Each party shall keep such retained Confidential Information confidential, subject to the terms of this Agreement. Sandspring and PNO shall permanently delete any data or records that are restored or otherwise become accessible in the ordinary course of business.

29. **Non-Solicitation Covenants.**

- (a) Subject to Sections 29(c) and 30, Sandspring agrees that during the period from the date hereof until the Effective Date, it:
 - (i) shall immediately cease and cause to be terminated any existing discussions or negotiations or other proceedings initiated prior to the date hereof by it, or its Representatives with respect to all Take-over Proposals; shall not amend, modify, waive, release or otherwise forebear in the enforcement of, and shall use all commercially reasonable efforts to enforce, any confidentiality, non-solicitation or standstill or similar agreements or provisions to which it and any third parties are parties; and shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise);
 - (ii) shall not directly or indirectly, through any Representative, solicit, initiate or knowingly encourage (including by way of furnishing information), or cause or facilitate anyone else to solicit, initiate or knowingly encourage, any Take-over Proposal, or any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to a Take-over Proposal, from any Person, or engage in any discussion, negotiations or inquiries relating thereto, provided however that Sandspring may request information from any Person who has made a Take-over Proposal for the sole purpose of clarifying the terms of such Take-over Proposal;
 - (iii) shall not provide information concerning its securities, assets or business to any Person for or in furtherance of anything mentioned in Sections 29(a)(i) or (ii) other than as required by Applicable Law;
 - (iv) shall (i) immediately notify PNO if Sandspring or any of its Representatives receives any indications of interest, requests for information or offers in respect of any Take-over Proposal; and (ii) provide full details to PNO of the terms of any such indication, request or offers, subject to any contractual obligations of confidentiality;
 - (v) shall not accept, recommend, approve or enter into or propose to publicly to accept, recommend, approve or enter into an agreement to implement a Take-over Proposal; and
 - (vi) shall not withdraw, amend, change or qualify, or propose publicly to withdraw, amend, change or qualify, in any manner adverse to the other party, any of its recommendations with respect to the Consolidation.

- (b) Subject to Sections 29(c) and 30, PNO agrees that during the period from the date hereof until the Effective Date, it:
- (i) shall immediately cease and cause to be terminated any existing discussions or negotiations or other proceedings initiated prior to the date hereof by it, or its Representatives with respect to all Take-over Proposals; shall not amend, modify, waive, release or otherwise forebear in the enforcement of, and shall use all commercially reasonable efforts to enforce, any confidentiality, non-solicitation or standstill or similar agreements or provisions to which it and any third parties are parties; and shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise);
 - (ii) shall not directly or indirectly, through any Representative, solicit, initiate or knowingly encourage (including by way of furnishing information), or cause or facilitate anyone else to solicit, initiate or knowingly encourage, any Take-over Proposal, or any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to a Take-over Proposal, from any Person, or engage in any discussion, negotiations or inquiries relating thereto, provided however that PNO may request information from any Person who has made a Take-over Proposal for the sole purpose of clarifying the terms of such Take-over Proposal;
 - (iii) shall not provide information concerning its securities, assets, business or Subsidiaries to any Person for or in furtherance of anything mentioned in Sections 29(b)(i) or (ii) other than as required by Applicable Law;
 - (iv) shall (i) immediately notify Sandspring if PNO or any of its PNO Representatives receives any indications of interest, requests for information or offers in respect of any Take-over Proposal; and (ii) provide full details to Sandspring of the terms of any such indication, request or offers, subject to any contractual obligations of confidentiality;
 - (v) shall not accept, recommend, approve or enter into or propose publicly to accept, recommend, approve or enter into an agreement to implement a Take-over Proposal; and
 - (vi) shall not withdraw, amend, change or qualify, or propose publicly to withdraw, amend, change or qualify, in any manner adverse to the other party, any of its recommendations with respect to the Arrangement.
- (c) Notwithstanding any other provision hereof, the foregoing provisions of this Section 29 shall not prevent the directors of Sandspring or PNO, prior to the PNO Meeting or Sandspring Meeting, as applicable, acting in good faith from (i) entering into or participating in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date hereof, of such third party by Sandspring or PNO, as applicable, or any of its Representatives) seeks to initiate such discussions or negotiations with such party with respect to a Take-over Proposal, provided that such discussions or negotiations did not result from or are not connected to a breach of Section 29(a) or (b) hereof, as applicable), and (ii) providing

copies of, access to or disclosure of non-public information, properties, facilities, books or records of such party and its Subsidiaries, if and only if:

- (i) the board of directors of such party first determines in good faith, after consultation with its financial advisors and based on the written advice of its outside legal counsel, that such Take-over Proposal is or could reasonably be expected to lead to a Superior Proposal, and that the failure to take such action would be inconsistent with its fiduciary duties;
 - (ii) such party first provides notice to the other party hereto of the details of such action and the disclosure of such information; and
 - (iii) such party first executes a confidentiality agreement with the party proposing such Take-over Proposal in form and substance no less restrictive than the confidentiality restrictions applicable to PNO and Sandspring, as applicable, in connection with the matters contemplated hereby (provided that such confidentiality agreement shall provide for disclosure thereof along with all information provided thereunder to the other party).
- (d) Each of Sandspring and PNO also acknowledges and agrees that each successive material modification of any Take-over Proposal shall constitute a new Take-over Proposal for purposes of the notification requirements under this Section 29.

30. **Notice of Superior Proposal Determination.** Notwithstanding any other provision of this Agreement, either Sandspring or PNO (in this Section 30, the “**Accepting Party**”) may, prior to the PNO Meeting or Sandspring Meeting, as applicable, accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal or withdraw, amend, change or qualify, or propose publicly to withdraw, amend, change or qualify, in any manner adverse to the other party, any of its recommendations with respect to the Arrangement, if and only if:

- (a) the Accepting Party has provided notice to the other (in this Section 30, the “**Other Party**”) of the Superior Proposal and the determination of the board of directors of the Accepting Party that such constitutes a Superior Proposal for the purposes of this Section 30;
- (b) taking into account any revised proposal made by the Other Party since receipt of the notice required by Section 30(a), such Superior Proposal remains a Superior Proposal;
- (c) five (5) Business Days shall have elapsed from the date the Other Party received the written notice required by Section 30(a); and
- (d) the Accepting Party otherwise complies with the provisions of this Section 30.

During the five (5) Business Day period referred to in Section 30(c), the Other Party shall have the right, but not the obligation, to offer to amend the terms of this Agreement. The board of directors of the Accepting Party will review any offer by the Other Party to amend the terms of this Agreement in good faith in order to determine, in its discretion in the exercise of its fiduciary duties, whether the Other Party’s amended offer upon acceptance by the Accepting Party would result in such Superior Proposal ceasing to be a Superior Proposal. If the board of directors of the Accepting Party so determines, it will enter into an amended agreement with the Other Party

reflecting the Other Party's amended proposal. If the board of directors of the Accepting Party continues to believe, in good faith, that such Superior Proposal remains a Superior Proposal and therefore rejects the Other Party's amended proposal, or five (5) Business Days shall have elapsed from the date the Other Party received the written notice required by Section 30(a), then either party may terminate this Agreement pursuant to Section 24(f), in each case subject to Section 31 below.

Each Accepting Party shall also provide such further and other details of the Take-over Proposal or any amendment thereto as the Other Party may reasonably request. Each Accepting Party shall keep the Other Party promptly and fully informed of the status, including any change to material terms, of any Take-over Proposal or any amendment thereto, shall respond promptly to all inquiries by the Other Party, with respect thereto, and shall provide the Other Party copies of all material correspondence and other written material sent to or provided to it by any Person in connection with such inquiry, proposal, offer or request or sent or provided by it to any Person in connection with such inquiry, proposal, offer or request.

Each party shall reaffirm its recommendation of the Arrangement by press release promptly and in any event within three (3) Business Days of any written request to do so by the other party (or, in the event that the PNO Meeting or Sandspring Meeting, as applicable, to approve the Arrangement is scheduled to occur within such three (3) Business Day period, prior to the scheduled date of such meeting) in the event that: (a) any Take-over Proposal which is publicly announced is determined by the party to which such Take-over Proposal has been made not to be a Superior Proposal; or (b) the parties have entered into an amended agreement pursuant to this Section 30 which results in any Take-over Proposal not being a Superior Proposal.

31. **Termination Fee.**

- (a) In the event that:
 - (i) this Agreement is terminated by either party pursuant to Section 24(f) in circumstances where PNO is the Accepting Party;
 - (ii) a Take-over Proposal shall have been made to PNO and made known to PNO Shareholders generally or shall have been made directly to PNO Shareholders generally or any Person shall have publicly announced an intention to make a Take-over Proposal in respect of PNO (a "**Pending PNO Take-over Proposal**") and the Pending PNO Take-over Proposal or announced intention shall not have been publicly withdrawn prior to the PNO Meeting and, thereafter, the PNO Shareholders do not approve the Arrangement at the PNO Meeting, and this Agreement is terminated after the making of the Pending PNO Take-over Proposal by any party pursuant to Sections 24(b) or (e) hereof and PNO completes or enters into a definitive agreement with respect to the Pending PNO Take-over Proposal within six months following the termination of this Agreement and the Pending PNO Take-over Proposal is thereafter completed; or
 - (iii) if the conditions required to be satisfied hereunder pursuant to Section 20(e) have not been satisfied, PNO Shareholders do not approve the Arrangement Resolution at the PNO Meeting, and this Agreement is terminated pursuant to Sections 24(b), 24(e) or 24(g) hereof,

then PNO shall pay to Sandspring (or such other party as Sandspring may direct in writing) in the circumstances set forth in subsections 31(a)(i) and (iii) above, at the time of the termination of this Agreement and, in the circumstances set forth in subsection 31(a)(ii) above, at the completion of the Pending PNO Take-over Proposal, as consideration for Sandspring's disposition of rights under this Agreement, an amount of \$250,000 (the "**PNO Termination Payment**"), in immediately available funds. PNO shall not be obligated to make more than one payment pursuant to this Section 31(a).

- (b) Subject to the penultimate sentence of this subsection 31(b), in the event that:
- (i) this Agreement is terminated by either party pursuant to Section 24(f) in circumstances where Sandspring is the Accepting Party;
 - (ii) a Take-over Proposal shall have been made to Sandspring and made known to Sandspring Shareholders generally or shall have been made directly to Sandspring Shareholders generally or any Person shall have publicly announced an intention to make a Take-over Proposal in respect of Sandspring (a "**Pending Sandspring Take-over Proposal**") and the Pending Sandspring Take-over Proposal or announced intention shall not have been publicly withdrawn prior to the Sandspring Meeting and, thereafter, the Sandspring Shareholders do not approve the Consolidation Resolution at the Sandspring Meeting, and this Agreement is terminated after the making of the Pending Sandspring Take-over Proposal by any party pursuant to Sections 24(b) or (e) hereof and Sandspring completes or enters into a definitive agreement with respect to the Pending Sandspring Take-over Proposal within six months following the termination of this Agreement and the Pending Sandspring Take-over Proposal is thereafter completed; or
 - (iii) if the conditions required to be satisfied hereunder pursuant to Section 21(e) have not been satisfied, Sandspring Shareholders do not approve the Consolidation Resolution at the Sandspring Meeting, and this Agreement is terminated pursuant to Sections 24(b), 24(e) or 24(h) hereof,

then Sandspring shall pay to PNO (or such other party as PNO may direct in writing) in the circumstances set forth in subsections 31(b)(i) and (iii) above, at the time of the termination of this Agreement and, in the circumstances set forth in subsection 31(b)(ii) above, at the completion of the Pending Sandspring Take-over Proposal, as consideration for PNO's disposition of rights under this Agreement, an amount of \$800,000 (the "**Sandspring Termination Payment**"), in immediately available funds. Sandspring shall not be obligated to make more than one payment pursuant to this Section 31(b). Notwithstanding the foregoing, the parties agree and acknowledge that in no circumstances shall the Sandspring Termination Payment be payable in the event that this Agreement is terminated by PNO pursuant to subsection 24(i).

- (c) Each of the parties hereby acknowledges that the PNO Termination Payment and the Sandspring Termination Payment, if either is paid, is a payment of liquidated damages which are a genuine pre-estimate of the damages which Sandspring or PNO, as applicable, will suffer or incur as a result of the event giving rise to such damages and the resultant non-completion of the Arrangement and is not a penalty. Each of Sandspring and PNO hereby irrevocably waives any right it may have to raise as a defence that any

such liquidated damages are excessive or punitive. Upon receipt by Sandspring of the PNO Termination Payment or the receipt by PNO of the Sandspring Termination Payment, each of Sandspring and PNO, respectively and, as applicable, shall have no further claim against the other in respect of the failure to complete the Arrangement, provided that nothing herein shall preclude Sandspring or PNO from seeking injunctive relief to restrain any breach or threatened breach by the other, of any of such other party's obligations hereunder or otherwise to obtain specific performance without the necessity of posting bond or security in connection therewith.

32. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supercedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof, including without limitation the Letter Agreement.
33. **Assignment.** No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of each of the other parties.
34. **Press Releases etc.** Notwithstanding any other provision hereof, all press releases and other proposed public disclosure statements and/or documents issued by any of Subco, Sandspring and/or PNO in connection with the Arrangement or other matters contemplated hereby must be provided to each of Sandspring and PNO prior to their release and due consideration shall be given to any comments provided by either such party to the other, provided however that this Section 34 shall not be interpreted so as to prohibit any party from complying with its timely disclosure obligations under Applicable Laws.
35. **Management Agreement.** The parties acknowledge and agree that concurrently with the completion of the Arrangement, Sandspring and Fiore shall enter into the Fiore Management Agreement in form and substance acceptable to each of Sandspring and Fiore, each acting reasonably.
36. **Indemnification.** Sandspring and PNO (as the context requires, the "**Indemnifying Party**") shall indemnify and hold the other and their respective Representatives and Subsidiaries, and such Subsidiaries' respective Representatives (collectively, an "**Indemnified Party**") harmless in respect of any claim, demand, action, cause of action, damage, loss (excluding loss of profits), cost, liability or expense (hereinafter referred to as a "**Claim**") which may be made or brought against an Indemnified Party or which it may suffer or incur directly or indirectly as a result of, in respect of or arising out of:
 - (i) any misrepresentation or alleged misrepresentation contained solely in (I) the PNO Information contained in the Sandspring Circular in the event that PNO is the Indemnifying Party; or (II) the Sandspring Information contained in the PNO Circular in the event that Sandspring is the Indemnifying Party;
 - (ii) any order made or any inquiry, investigation or proceeding by any Governmental Authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in (I) the PNO Information in the event that PNO is the Indemnifying Party; or (II) the Sandspring Information in the event that Sandspring is the Indemnifying Party, in either case which prevents or restricts the trading in the PNO Shares or Sandspring Shares; or

- (iii) the Indemnifying Party not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement,

all as follows:

- (a) if an Indemnified Party becomes aware of a Claim in respect of which indemnification is provided for pursuant to this Section 36, the Indemnified Party shall promptly give written notice of the Claim to the Indemnifying Party. Such notice shall specify with reasonable particularity (to the extent that the information is available): (i) the factual basis for the Claim; and (ii) the amount of the Claim, if known. If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to effectively contest the determination of any liability susceptible of being contested, then the liability of the Indemnifying Party to such Indemnified Party under this Section 36 shall be reduced by the amount of any losses incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give such notice on a timely basis;
- (b) the Indemnifying Party shall have 60 days from receipt of notice of the Claim within which to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or before the expiration of such 60 day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim, failing which the matter shall be referred to binding arbitration in such manner as the parties may agree or shall be determined by a court of competent jurisdiction;
- (c) the amount of any Claim submitted under Subsection 36(a) as damages or by way of indemnification shall bear interest from and including the date any Indemnified Party is required to make payment in respect thereof at the Prime Rate calculated from and including such date to but excluding the date reimbursement of such Claim by the Indemnifying Party is made, and the amount of such interest shall be deemed to be part of such Claim;
- (d) the amount of any Claim submitted under Subsection 36(a) as damages or by way of indemnification shall be determined on an after-tax basis, and shall include the amount necessary to hold the Indemnified Party harmless after tax; and
- (e) the amount of any Claim submitted under Subsection 36(a) as damages or by way of indemnification as determined shall be increased by an amount equal to the rate of Goods and Services Tax and Harmonized Sales Tax applied to such amount.

Notwithstanding the foregoing, (i) PNO shall have no liability pursuant to this Section 36 for any Claim arising out of or which is based upon any misrepresentation or alleged misrepresentation based on the Sandspring Information, the negligence of Sandspring or the non-compliance by Sandspring with any requirement of Applicable Laws in connection with the transactions contemplated hereby; and (ii) Sandspring shall have no liability pursuant to this Section 36 for any Claim arising out of or which is based upon any misrepresentation or alleged misrepresentation based on the PNO Information, the negligence of PNO or the non-compliance

by PNO with any requirement of Applicable Laws in connection with the transactions contemplated hereby.

37. **Further Assurances.** Each of the parties hereto agrees to execute and deliver such further instruments and to do such further reasonable acts and things as may be necessary or appropriate to carry out the intent of this Agreement.
38. **Notice.** Any notice which a party may desire to give or serve upon another party shall be in writing and may be delivered, mailed by prepaid registered mail, return receipt requested or sent by facsimile or email transmission to the following addresses:

(a) **SANDSPRING RESOURCES LTD. OR 1042573 BC LTD.**

9137 E. Mineral Circle
Suite 180
Centennial, Colorado
80112-3464

Attention: Chief Executive Officer
Facsimile No.: (303) 643-9600
Email: rich@ramunson.com

With a copy to:

Cassels Brock & Blackwell LLP
2100, 40 King Street West
Toronto, Ontario M5H 3G2

Attention: Jennifer Campbell
Facsimile No.: (416) 642-7136
Email: jcampbell@casselsbrock.com

(b) **PNO RESOURCES LTD.**

595 Burrard Street
Suite 3123
Vancouver, BC
V7X 1J1

Attention: Chief Executive Officer
Facsimile No.: (604) 609-6145
Email: clouth@cgepartnership.com

With a copy to:

McCullough O'Connor Irwin LLP
2600 Oceanic Plaza
1066 West Hastings Street
Vancouver, BC
V6E 3X1

Attention: David Gunasekera
Facsimile No.: (604) 687-7099
Email: dgunasekera@moisolicitors.com

or to such other address as the party to or upon whom notice is to be given or served has communicated to the other parties by notice given or served in the manner provided for in this Section. In the case of delivery or facsimile or email transmission, notice shall be deemed to be given on the date of delivery and in the case of mailing, notice shall be deemed to be given on the third Business Day after such mailing.

39. **Currency.** All dollar amounts expressed herein are in Canadian currency, unless otherwise specified.
40. **Time of Essence.** Time shall be of the essence of this Agreement.
41. **Governing Law.** This Agreement shall be governed by and construed in accordance with the Applicable Laws of the Province of British Columbia and the Applicable Laws of Canada applicable therein. The parties hereby irrevocably submit and attorn to the exclusive jurisdiction of the courts of the Province of British Columbia in respect of all matters arising out of this Agreement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is, accordingly, agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of British Columbia having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, subject to the provisions of this Agreement.
42. **Waiver.** Either party may, on its own behalf only: (i) extend the time for the performance of any of the obligations or acts of another party, (ii) waive compliance with another party's agreements or the fulfillment of any conditions to its own obligations contained herein; or (iii) waive inaccuracies in another party's representations or warranties contained herein or in any document delivered by the other party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of the first party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.
43. **Third Party Beneficiaries.** The provisions of Section 2(c) are: (i) intended for the benefit of all such present directors and officers of Sandspring and PNO and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and Sandspring and PNO shall hold the rights and benefits of such section in trust for and on behalf of the Third Party Beneficiaries of Sandspring and PNO, respectively and each of Sandspring and PNO hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the applicable Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.
44. **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, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be severable therefrom and 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. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

45. **Provision of Information; Access**

- (a) Until the Effective Date or termination of this Agreement, PNO shall provide Sandspring and its Representatives reasonable access, during normal business hours and at such other time or times as Sandspring may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, employees and management personnel and shall furnish to Sandspring all information concerning its business, assets and personnel as Sandspring may reasonably request, which information shall remain subject to Section 28 hereof, in order to permit Sandspring to be in a position to expeditiously and efficiently integrate the business and operations of PNO immediately upon but not prior to the Effective Date.
- (b) Until the Effective Date or termination of this Agreement, Sandspring shall provide PNO and its Representatives access, during normal business hours and at such other time or times as PNO may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, employees and management personnel and shall furnish to PNO all information concerning its business, assets and personnel as PNO may reasonably request, which information shall remain subject to Section 28 hereof.

46. **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.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF this Master Agreement has been duly executed by the parties hereto as of the date first written above.

PNO RESOURCES LTD.

Per: "Christy Louth"

Authorized Signatory

SANDSPRING RESOURCES LTD.

Per: "Rich Munson"

Authorized Signatory

1042573 B.C. LTD.

Per: "Rich Munson"

Authorized Signatory

SCHEDULE “A”

PLAN OF ARRANGEMENT UNDER DIVISION 5 OF PART 9 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

1. INTERPRETATION

(a) **Definitions:** In this Plan of Arrangement, unless the context otherwise requires, the following words and terms shall have the meaning hereinafter set out:

“**Act**” means the *Business Corporations Act* (British Columbia) and the regulations made thereunder;

“**affiliate**” has the meaning given to such term in the Act;

“**Depository**” means Computershare Trust Company of Canada;

“**Dissenting PNO Shareholder**” means a registered PNO Shareholder who has duly exercised a Dissent Right;

“**Dissent Shares**” means the PNO Shares held by a Dissenting PNO Shareholder and in respect of which the Dissenting PNO Shareholder has validly exercised Dissent Rights;

“**Exchange Ratio**” shall have the meaning ascribed thereto in subsection 3(a)(ii)(E) hereof;

“**Former PNO Shareholder**” means a Person who is a registered holder of PNO Shares as shown on the share register of PNO Shares immediately prior to the Arrangement Effective Time;

“**Letter of Transmittal**” means the letter of transmittal sent to the PNO Shareholders pursuant to which PNO Shareholders are required to deliver certificates representing their PNO Shares to receive Sandspring Post-Consolidation Shares issuable to them pursuant to this Arrangement;

“**Lien**” means any hypothec, mortgage, pledge, assignment, lien, charge, security interest, encumbrance or adverse right or claim, other third Person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

“**Master Agreement**” means the agreement dated July 17, 2015 between PNO, Sandspring and Subco, as the same may be amended, varied or supplemented from time to time;

“**PNO Optionholder**” means a holder of PNO Options;

“**Subco Shares**” means the common shares in the capital of Subco; and

“**Tax Act**” means the Income Tax Act (Canada) and the regulations thereunder.

All terms used in this Plan of Arrangement that are not defined in this Section 1(a) or elsewhere herein and that are defined in the Master Agreement shall have the respective meanings ascribed to them in the Master Agreement.

(b) **Interpretation Not Affected by Headings.** The headings contained in this Plan of Arrangement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions refer to this Plan of Arrangement and not to any particular article, section, subsection, paragraph, subparagraph, clause or sub-clause hereof and include any agreement or instrument supplementary or ancillary hereto.

(c) **Date for any Action.** If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

(d) **Number and Gender.** In this Plan of Arrangement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders and neuter.

(e) **Reference to Persons and Sections.** A reference to a Person includes any successor to that Person. A reference to any statute includes all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation. Unless otherwise specified, all references to Sections and subsections shall be references to Sections and subsections of this Plan of Arrangement.

(f) **Currency.** Unless otherwise stated in this Plan of Arrangement, all references herein to amounts of money are expressed in lawful money of Canada.

(g) **Legislation and Agreement References.** References in this Plan of Arrangement to any statute or section thereof shall be deemed to be a reference to such statute or section as amended or substituted and inclusive of any regulations promulgated thereunder from time to time in effect. References to any agreement or document shall be to such agreement or document (together with all schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

2. **EFFECT OF THE ARRANGEMENT**

(a) **Master Agreement.** This Plan of Arrangement is made pursuant to and subject to the provisions and forms part of the Master Agreement.

(b) **Arrangement Effective Time.** At the Arrangement Effective Time, the Arrangement shall without any further authorization, act or formality on the part of the Court be binding upon PNO, Sandspring, Subco and the PNO Shareholders.

3. **THE ARRANGEMENT**

(a) **The Arrangement.** Commencing at the Arrangement Effective Time, the following shall occur and shall be deemed to occur in the following order without any further act or formality:

- (i) each PNO Share held by a Dissenting PNO Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to Sandspring for cancellation and thereupon each Dissenting PNO Shareholder shall have the rights set out in Section 5; and

- (A) such Dissenting PNO Shareholders shall cease to be registered holders of such Dissent Shares and the names of such registered holders shall be removed from the register of PNO Shareholders; and
 - (B) such Dissenting PNO Shareholders shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Dissent Shares in accordance with this Section 3(a)(i);
- (ii) the Amalgamation will be completed and PNO and Subco will continue as Amalco on the following terms:
- (A) the name of Amalco shall be “●”;
 - (B) the property, rights and interests of each of PNO and Subco shall continue to be the property, rights and interests of Amalco;
 - (C) Amalco shall continue to be liable for the obligations of each of PNO and Subco;
 - (D) the notice of articles and articles of Subco shall be the notice of articles and articles of Amalco;
 - (E) each PNO Share held by a PNO Shareholder other than a Dissenting PNO Shareholder will be exchanged for one Sandspring Post-Consolidation Share (the “**Exchange Ratio**”), subject to compliance with Section 4 hereof;
 - (F) with respect to each PNO Share transferred and assigned in accordance with Section 3(a)(ii)(E) hereof:
 - a. the registered holder thereof shall cease to be the registered holder of such PNO Share and the name of such registered holder shall be removed from the register of PNO Shareholders; and
 - b. the registered holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to exchange such PNO Share in accordance with Section 3(a)(ii)(E) hereto;
 - (G) the Subco Shares will be exchanged for Amalco Shares on the basis of one Amalco Share for each one Subco Share;
 - (H) in consideration for Sandspring’s issuance of Sandspring Post-Consolidation Shares referenced in Section 3(a)(ii)(E), Amalco shall issue to Sandspring one Amalco Share for each Sandspring Post-Consolidation Share issued by Sandspring under Section 3(a)(ii)(E);
 - (I) Sandspring will receive one Amalco Share for all PNO Shares, if any, held or acquired by Sandspring pursuant to the exercise of Dissent Rights;

- (J) the board of directors of Amalco shall be comprised of a minimum of one and a maximum of 10 directors, and the first director of Amalco shall be Richard Munson;
- (K) each PNO Option which is outstanding and has not been duly exercised prior to the Effective Date shall be exchanged for an option (each, a “**Replacement Option**”) to purchase from Sandspring the number of Sandspring Post-Consolidation Shares equal to the number of PNO Shares subject to such PNO Option immediately prior to the Effective Date. Such Replacement Option shall provide for an exercise price per Sandspring Post-Consolidation Share (rounded up to the nearest whole cent) equal to the exercise price per PNO Share otherwise purchasable pursuant to such PNO Option, subject to adjustment to meet the requirements of Subsection 7(1.4) of the Tax Act as provided below. If the foregoing calculation results in the total Replacement Options of a particular holder being exercisable for a number of Sandspring Post-Consolidation Shares that includes a fractional Sandspring Post-Consolidation Share, the total number of Sandspring Post-Consolidation Shares subject to such holder’s total Replacement Options shall be rounded down to the nearest whole number of Sandspring Post-Consolidation Shares. Except as otherwise provided by this Plan of Arrangement, all terms and conditions of a Replacement Option, including the term to expiry, conditions to and manner of exercising, will be the same as the PNO Option for which it was exchanged, and any certificate or option agreement previously evidencing the PNO Option shall thereafter evidence and be deemed to evidence such Replacement Option. Notwithstanding the foregoing, if required for purposes of meeting the requirements of paragraph 7(1.4)(c) of the Tax Act, the exercise price of each Replacement Option of any particular holder shall be, and shall be deemed to be, adjusted at the time of the exchange by the amount, and only to the extent, necessary to ensure that the excess of the aggregate fair market value of the Sandspring Post-Consolidation Shares subject to the Replacement Option immediately after the exchange over the aggregate exercise price for such Sandspring Post-Consolidation Shares pursuant to the Replacement Option does not exceed the excess of the aggregate fair market value of the PNO Shares subject to the PNO Option immediately before the exchange over the aggregate exercise price for such PNO Shares under the PNO Option, and:
 - (i) each PNO Optionholder shall cease to be the holder of PNO Options, or have any rights as a holder of such PNO Options (other than to receive Replacement Options in accordance with this Plan of Arrangement);
 - (ii) each PNO Optionholder's name shall be removed from the register of PNO Options maintained by or on behalf of PNO; and
 - (iii) all PNO Options exchanged pursuant to this Section 3(a)(ii)(K) shall be cancelled;
- (L) outstanding PNO Warrants will automatically adjust in accordance with the terms thereof such that following the completion of the Arrangement, the holders thereof shall acquire Sandspring Post-Consolidation Shares in lieu of PNO Shares based on the Exchange Ratio (but otherwise on the same terms as prior to the Arrangement);

- (M) PNO Options held by optionees that are not continuing officers, directors or service providers of Sandspring after giving effect to the Arrangement will be exchanged pursuant to Section 3(a)(ii)(K) but will expire 90 days after the Effective Date; and
- (N) the stated capital account of the Amalco Shares immediately following the Arrangement Effective Time shall be an amount equal to the aggregate of the “paid-up capital” (within the meaning of the Tax Act) of the Sandspring Post-Consolidation Shares and the PNO Shares, immediately before the Arrangement Effective Time.

(b) **No Fractional Shares.** Following the Arrangement Effective Time, if the aggregate number of Sandspring Post-Consolidation Shares to which a PNO Shareholder would otherwise be entitled would include a fractional share, then the number of Sandspring Post-Consolidation Shares that such PNO Shareholder is entitled to receive shall be rounded down to the next whole number and no PNO Shareholder will be entitled to any compensation in respect of such fractional Sandspring Post-Consolidation Share.

(c) **Withholding Rights.** Sandspring shall be entitled to deduct and withhold from all dividends, distributions, other payments or other consideration otherwise payable to any person such amounts as Sandspring is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the United States Revenue Code of 1986 or any provision of any applicable federal, provincial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the person in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. For greater certainty, to the extent Sandspring is required to deduct and withhold from any consideration that is not cash, Sandspring shall be entitled to liquidate such consideration to the extent necessary in order to fund its deduction, withholding and remittance obligations.

4. OUTSTANDING CERTIFICATES

- (a) At or promptly after the Arrangement Effective Time, Sandspring shall issue to the Depositary an irrevocable treasury order authorizing the Depositary, as the registrar and transfer agent of Sandspring, to issue certificates representing the aggregate number of Sandspring Post-Consolidation Shares to which the PNO Shareholders are entitled in accordance with the terms of the Arrangement.
- (b) From and after the Arrangement Effective Time, each certificate formerly representing PNO Shares shall represent only the right to receive:
 - (i) in the case of certificates held by Dissenting PNO Shareholders, other than those Dissenting PNO Shareholders deemed to have participated in the Arrangement pursuant to Section 5, the fair value of the PNO Shares represented by such certificates from Sandspring as provided for in the Interim Order and Section 5; and
 - (ii) in the case of certificates held by all other PNO Shareholders, the number of Sandspring Post-Consolidation Shares that such PNO Shareholder is entitled to in accordance with the terms and subject to the limitations of this Plan of Arrangement upon such former holder depositing with the Depositary the certificates representing his/her/its PNO

Shares, a duly completed and signed Letter of Transmittal and such other documents and instruments as the Depositary may reasonably require.

- (c) If any certificate which immediately prior to the Arrangement Effective Time represented outstanding PNO Shares has been lost, stolen or destroyed, upon satisfying such reasonable requirements as may be imposed by Sandspring and the Depositary in relation to the issuance of replacement share certificates, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement.
- (d) All dividends and distributions, if any, made with respect to any Sandspring Post-Consolidation Shares allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such dividends and distributions to which such holder is entitled, net of applicable withholding and other taxes (and no interest shall be payable by Sandspring, PNO or the Depositary in respect thereof).
- (e) Any certificate formerly representing PNO Shares that is not deposited with all other documents as required by this Plan of Arrangement and the Letter of Transmittal on or before the last Business Day prior to the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, and the right of the holder of such PNO Shares, to receive certificates representing Sandspring Post-Consolidation Shares to which such holder is entitled pursuant to the Arrangement (together with all dividends, distributions or other payments thereon held for such holder) shall be deemed to be surrendered to Sandspring.
- (f) After the Arrangement Effective Time, the PNO Shareholders (other than Sandspring) shall not be entitled to any interest, dividend, premium or other payment on or with respect to the PNO Shares other than the Sandspring Post-Consolidation Shares which they are entitled to receive pursuant to this Plan of Arrangement.

5. DISSENT RIGHTS

- (a) Each registered PNO Shareholder may exercise Dissent Rights with respect to the PNO Shares held by it pursuant to and in the manner set forth in the Interim Order. Dissenting PNO Shareholders who:
 - (i) are ultimately entitled to be paid by Sandspring the fair value for their Dissent Shares shall be deemed to have transferred such Dissent Shares (free of any liens, claims or encumbrances) to Sandspring for cancellation in accordance with Section 3(a)(i); or
 - (ii) are ultimately not entitled, for any reason, to be paid by Sandspring fair value for their Dissent Shares in respect of which they dissent, shall be deemed to have participated in the Arrangement in respect of those PNO Shares on the same basis as a non-dissenting PNO Shareholder.
- (b) In no event shall PNO, Sandspring or Amalco or any other person be required to recognize a Dissenting PNO Shareholder who was paid fair value of their Dissent Shares pursuant to Section 5(a)(i) above as a registered or beneficial owner of PNO Shares at or after the Arrangement

Effective Time, and at the Arrangement Effective Time the names of such Dissenting PNO Shareholders shall be deleted from the central securities register of PNO as at the Arrangement Effective Time.

- (c) For greater certainty, in addition to any other restrictions in the Interim Order, no person shall be entitled to exercise Dissent Rights with respect to PNO Shares in respect of which a person has voted in favour of the Arrangement.

6. AMENDMENT

- (a) PNO, Sandspring and Subco reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any amendment, modification or supplement must be contained in a written document which is filed with the Court.
- (b) If such amendment, modification or supplement to this Plan of Arrangement is proposed at any time prior to or at the PNO Meeting, with or without any other prior notice or communication, and accepted by the Persons voting at the PNO Meeting (other than as may be required under the Interim Order) then such amendment, modification or supplement shall become part of this Plan of Arrangement for all purposes.
- (c) If such amendment, modification or supplement to this Plan of Arrangement is made following the PNO Meeting, then such amendment, modification or supplement must be: (i) approved by the Court, and (ii) if the Court directs, approved by the PNO Shareholders and in any event communicated to them, and in either case in the manner required by the Court.
- (d) Notwithstanding the foregoing provisions of this Section 6, any amendment, modification or supplement to this Plan of Arrangement may be made by PNO, Subco and Sandspring without approval of the PNO Shareholders or any other securityholders of PNO, Subco or Sandspring provided that it concerns a matter which, in the reasonable opinion of PNO, Subco and Sandspring is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of any of the PNO, Subco or Sandspring securityholders.
- (e) Notwithstanding the foregoing provisions of this Section 6, no amendment, modification or supplement of this Plan of Arrangement may be made prior to the Arrangement Effective Time except in accordance with the terms of the Master Agreement.