

*This Notice of Change and Variation is important and requires your immediate attention. It should be read in conjunction with the Original Offer to Purchase and Circular (as defined herein). If you are in doubt as to how to deal with this document, you should consult your investment advisor, stockbroker, bank manager, trust company manager, accountant, lawyer or other professional advisor. If you have any questions, please contact Kingsdale Advisors, the Depositary and Information Agent in connection with the Offer (as defined herein), by telephone toll-free at 1-866-879-7650 within North America and at 1-416-867-2272 outside of North America or by e-mail at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).*

*Neither this Notice of Change and Variation nor the Original Offer to Purchase and Circular has been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Offer, the Original Offer (as defined herein), the Original Offer to Purchase and Circular or upon the adequacy of the information contained in the Original Offer to Purchase and Circular or this Notice of Change and Variation. Any representation to the contrary is an offence.*

September 12, 2018



**NOTICE OF CHANGE AND VARIATION**

respecting the

**OFFER TO PURCHASE**

**all of the outstanding Common Shares**

of

**IRON BRIDGE RESOURCES INC.**

by **VELVET ENERGY LTD.**

on the amended and increased basis of

**\$0.845 in cash per Common Share**

**THE OFFEROR HAS INCREASED THE CONSIDERATION PAYABLE UNDER THE OFFER TO \$0.845 IN CASH FOR EACH COMMON SHARE.**

**THE OFFER HAS BEEN EXTENDED AND IS NOW OPEN FOR ACCEPTANCE UNTIL 5:00 P.M. (TORONTO TIME) ON SEPTEMBER 24, 2018, UNLESS THE OFFER IS FURTHER EXTENDED, ACCELERATED OR WITHDRAWN BY THE OFFEROR IN ACCORDANCE WITH ITS TERMS.**

**THE BOARD OF DIRECTORS OF IRON BRIDGE HAS UNANIMOUSLY DETERMINED THAT THE OFFER IS IN THE BEST INTERESTS OF IRON BRIDGE AND HAS UNANIMOUSLY RECOMMENDED THAT SHAREHOLDERS ACCEPT AND DEPOSIT THEIR COMMON SHARES UNDER THE OFFER.**

Velvet Energy Ltd. (the "**Offeror**" or "**Velvet**") hereby gives notice that it has amended and varied the terms of its offer dated May 29, 2018 (the "**Original Offer**") to purchase, on the terms and subject to the conditions of the Original Offer, all of the issued and outstanding common shares (the "**Common Shares**") of Iron Bridge Resources Inc. ("**Iron Bridge**"), which includes any Common Shares that may become issued and outstanding after the date of the Offer but prior to the Expiry Time (as amended by this Notice of Change and Variation) upon the exercise, exchange or redemption of the Options, the Restricted Share Awards, the Warrants and any securities of Iron Bridge that are exercisable, exchangeable or redeemable for Common Shares after the date hereof, but before the Expiry Time to: (a) increase the consideration offered to Shareholders under the Offer (as defined below) from \$0.75 in cash per Common Share to \$0.845 in cash per Common Share, and to update certain disclosure in the Original Offer to Purchase and Circular related thereto; (b) extend the time period for acceptance of the Offer; and (c) amend certain terms and conditions of the Offer in connection with the Support Agreement (as defined below).

This Notice of Change and Variation should be read in conjunction with: (i) the Original Offer to Purchase and the associated take-over bid circular dated May 29, 2018 (the "**Original Circular**"), and together with the Original Offer to Purchase, the "**Original Offer to Purchase and Circular**"; (ii) the Letter of Transmittal that accompanied the Original Offer to Purchase and Circular; and (iii) the Notice of Guaranteed Delivery that accompanied the Original Offer to Purchase and Circular.

Unless the context otherwise requires: (i) all references to the "**Offer**" in the Original Offer to Purchase and Circular and in this Notice of Change and Variation should be read as references to the Original Offer, as amended hereby; (ii) all references to the "**Offer to Purchase**" in the Original Offer to Purchase and Circular should be read as references to the Original Offer to Purchase, as amended hereby; (iii) all references to the "**Circular**" in the Original Offer to Purchase and Circular should be read as references to the Original Circular, as amended hereby; (iv) all references to the "**Offer to Purchase and Circular**" in the Original Offer to Purchase and Circular should be read as references to the Original Offer to Purchase and Circular, as amended hereby; (v) all references to the "**Letter of Transmittal**" in the Original Offer to Purchase and Circular and in this Notice of Change and Variation should be read as references to the Letter of Transmittal, as amended hereby; and (vi) all references to the "**Notice of Guaranteed Delivery**" in the Original Offer to Purchase and Circular and in this Notice of Change and Variation should be read as references to the Notice of Guaranteed Delivery, as amended hereby. The Original Offer to Purchase and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery are collectively referred to herein as the "**Offer Documents**".

The Offer Documents, including the Letter of Transmittal and the Notice of Guaranteed Delivery, are deemed to be amended to give effect to the changes and variations to the Offer described herein, and except as otherwise set out herein, the terms and conditions set out in the Offer Documents continue to be applicable in all respects.

Unless the context requires otherwise, terms used but not defined herein have the respective meanings set out in the Original Offer to Purchase and Circular.

**All Shareholders who deposit their Common Shares under the Offer will receive the increased cash consideration of \$0.845 per Common Share described herein, including those Shareholders who have already validly deposited and not properly withdrawn their Common Shares under the Offer. All Shareholders who have already validly deposited and not properly withdrawn their Common Shares under the Offer do not need to do anything further to receive the increased cash consideration offered by the Offeror for Common Shares under the Offer.**

All of the directors and officers of Iron Bridge, as well as certain Shareholders (including Maple Rock Capital Partners Inc. and Bison Interests, LLC and their respective affiliates and principals), who own or control, directly or indirectly, approximately 35% of the outstanding Common Shares have entered into lock-up agreements with the Offeror, pursuant to which they have committed to deposit all of the Common Shares owned or controlled by them under the Offer and to otherwise support the Offer.

Shareholders who have not yet deposited their Common Shares under the Offer and who wish to accept the Offer must properly complete and execute the Letter of Transmittal (printed on YELLOW paper) accompanying the Original Offer to Purchase and Circular and deposit it, at or prior to the Expiry Time, together with certificate(s) or other evidence representing their Common Shares and all other required documents, with Kingsdale Advisors, the Depository and Information Agent, at its office in Toronto, Ontario specified in the Letter of Transmittal, in accordance

with the instructions set out therein. **The Letter of Transmittal which accompanied the Original Offer to Purchase and Circular is deemed to be amended as of the date hereof to reflect the increase in the consideration payable under the Offer.** Alternatively, Shareholders may accept the Offer by following the procedures for: (i) book-entry transfer of Common Shares set out in Section 3 of the Original Offer to Purchase, "*Manner of Acceptance – Acceptance by Book-Entry Transfer*"; or (ii) guaranteed delivery set out in Section 3 of the Original Offer to Purchase, "*Manner of Acceptance – Procedure for Guaranteed Delivery*", using the Notice of Guaranteed Delivery (printed on PINK paper) accompanying the Original Offer to Purchase and Circular. **The Notice of Guaranteed Delivery which accompanied the Original Offer to Purchase and Circular is deemed to be amended as of the date hereof to reflect the increase in the consideration payable under the Offer.**

**Shareholders whose Common Shares are registered in the name of an investment dealer, investment advisor, bank, trust company or other intermediary (each, an "Intermediary") should immediately contact that Intermediary for assistance if they wish to accept the Offer, in order to take the necessary steps to be able to deposit such Common Shares under the Offer. Intermediaries likely have established tendering cut-off times that are prior to the Expiry Time. Shareholders must instruct their Intermediaries promptly if they wish to tender.**

Questions and requests for assistance may be directed to the Depositary and Information Agent, whose contact details are provided on the back cover of this document. To keep current with further developments and information about the Offer, visit [www.VelvetEnergy.ca/IronBridgeOffer](http://www.VelvetEnergy.ca/IronBridgeOffer). Additional copies of this document, the Original Offer to Purchase and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained without charge on request from the Depositary and Information Agent. Copies of this document and related materials may also be found at [www.VelvetEnergy.ca/IronBridgeOffer](http://www.VelvetEnergy.ca/IronBridgeOffer) and are available on SEDAR at [www.sedar.com](http://www.sedar.com) under Iron Bridge's profile. This website address is provided for informational purposes only and no information contained on, or accessible from, this website is incorporated by reference herein.

Neither this Notice of Change and Variation nor the Original Offer to Purchase and Circular constitutes an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will tenders be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the Laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

The effective date of this Notice of Change and Variation is September 12, 2018.

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**The Depositary and Information Agent for the Offer is:**



**KINGSDALE** Advisors

Kingsdale Advisors  
The Exchange Tower  
130 King St W, Suite #2950  
Toronto, ON M5X 1K6

North America Toll-Free: 1-866-879-7650  
Outside North America: 1-416-867-2272  
Email: [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com)

## **NOTICE TO SHAREHOLDERS IN THE UNITED STATES**

The Offer is being made for the securities of a Canadian company that does not have securities registered under section 12 of the U.S. Exchange Act. Accordingly, the Offer is not subject to Section 14(d) of the U.S. Exchange Act, or Regulation 14D promulgated by the United States Securities and Exchange Commission thereunder. The Offer is made in the United States with respect to securities of a "foreign private issuer", as such term is defined in Rule 3b-4 under the U.S. Exchange Act, in accordance with Canadian corporate and securities law requirements. Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to tender offers under the U.S. Exchange Act and the rules and regulations promulgated thereunder.

This document does not address any United States federal or state income tax considerations applicable to Shareholders (or holders of Convertible Securities) in the United States or Shareholders (or holders of Convertible Securities) that are otherwise subject to tax in the United States with respect to the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction. Such holders should be aware that the disposition of Common Shares (or the exercise, exchange or redemption of Convertible Securities) by them as described herein may have tax consequences both in the United States and in Canada. Such holders are urged to consult their own U.S. tax and legal advisors regarding their ownership and disposition of Common Shares (and Convertible Securities) under any of the Offer, a Compulsory Acquisition or a Subsequent Acquisition Transaction. See Section 16 of the Original Circular, "*Certain Canadian Federal Income Tax Considerations*".

Shareholders in the United States should be aware that the Offeror or its affiliates, directly or indirectly, may bid for or make purchases of Common Shares during the period of the Offer other than through the Offer, such as in open market purchases, as permitted by applicable Laws in Canada.

It may be difficult for Shareholders in the United States to enforce their rights and any claim they may have arising under United States federal securities Laws since the Offeror and Iron Bridge are incorporated or formed under the Laws of Canada or a province of Canada, a majority of the officers and directors of each of the Offeror and Iron Bridge reside outside the United States, some of the experts named herein may reside outside the United States, and all or a substantial portion of the assets of the Offeror or Iron Bridge and the other above-mentioned persons are located outside the United States. Shareholders in the United States may not be able to sue the Offeror and Iron Bridge or their respective officers or directors in a non-U.S. court for violation of United States federal securities laws. It may be difficult to compel such parties to subject themselves to the jurisdiction of a court in the United States or to enforce a judgment obtained from a court of the United States.

## **NOTICE TO HOLDERS OF CONVERTIBLE SECURITIES**

The Offer is being made only for Common Shares and not for any Convertible Securities (including, without limitation, Options, Restricted Share Awards and Warrants). Holders of Convertible Securities who wish to accept the Offer must, to the extent permitted by the terms of the Convertible Security and applicable Laws, exercise, exchange or redeem the Convertible Securities in order to obtain certificate(s) or other evidence representing Common Shares and validly deposit those Common Shares in accordance with the terms of the Offer. Any such exercise, exchange or redemption must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such Convertible Security or Convertible Securities will have the certificate(s) or other evidence representing the Common Shares received on such exercise, exchange or redemption available for deposit at or prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Original Offer to Purchase, "*Manner of Acceptance – Procedure for Guaranteed Delivery*".

The tax consequences to holders of Convertible Securities of exercising, exchanging or redeeming such securities are not described in Section 16 of the Original Circular, "*Certain Canadian Federal Income Tax Considerations*". Holders of Convertible Securities should consult their tax advisors for advice with respect to potential income tax consequences to them in connection with the decision as to whether to exercise, exchange or redeem their Convertible Securities.

## CURRENCY

All references to "\$" in this Notice of Change and Variation mean Canadian dollars.

## FORWARD-LOOKING INFORMATION

The Original Offer to Purchase and Circular, including the documents incorporated by reference therein, and this Notice of Change and Variation, contain "forward-looking information" and are prospective in nature. Readers are urged to consult the information provided under the heading "*Forward-Looking Statements*" commencing on page v of the Original Offer to Purchase and Circular for important information respecting the forward-looking information provided therein. Forward-looking information is not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties that could cause actual results to differ materially from the future results expressed or implied by the forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "intends", "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information contained in the Original Offer to Purchase and Circular and this Notice of Change and Variation includes, but is not limited to, statements relating to the following items: expectations relating to the Offer and information concerning the Offeror's plans for Iron Bridge in the event the Offer is successful; the satisfaction or waiver of the conditions to the Offer; the benefits of the Offer; the results, effects and timing of the Offer and completion of any Compulsory Acquisition or Subsequent Acquisition Transaction; the total amount of cash required to purchase the Common Shares under the Offer; the availability of, and the ability to successfully negotiate and consummate, an Alternative Transaction; and the completion of a Compulsory Acquisition or a Subsequent Acquisition Transaction.

Although the Offeror believes that the expectations reflected in such forward-looking information are reasonable, such information and statements involve risks and uncertainties, and undue reliance should not be placed on such information and statements. Certain material factors or assumptions are applied in making forward-looking information, and actual results may differ materially from those expressed or implied in such information and statements contained in this Notice of Change and Variation and the Original Offer to Purchase and Circular, including the documents incorporated by reference herein and therein. Important factors that could cause actual results, performance or achievements of the Offeror or the completion of the Offer to differ materially from any future results, performance or achievements expressed or implied by such forward-looking information include, among other things: actions taken by Iron Bridge; actions taken by security holders of Iron Bridge in respect of the Offer; that the conditions of the Offer may not be satisfied or waived by the Offeror at the expiry of the Offer period; the ability of the Offeror to acquire 100% of the Common Shares through the Offer; the ability to obtain regulatory approvals and meet other closing conditions to the Offer; potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the Offer, or any subsequent transaction; competitive responses to the announcement or completion of the Offer; uncertainties as to the impact of the completion of the Offer or any alternative or subsequent transaction on the Offeror's earnings or cash flows that it expects; litigation relating to the proposed transaction; the inability to retain key personnel; any changes in general economic and/or industry-specific conditions; industry risk; risks inherent in the running of the business of the Offeror or its affiliates; legislative or regulatory changes; Iron Bridge's structure and its tax treatment, competition in the exploration and development industry; changes in capital or securities markets; that there are no inaccuracies or material omissions in Iron Bridge's publicly available information; and that Iron Bridge has not disclosed events which may have occurred or which may affect the significance or accuracy of such information. These are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the forward-looking information contained herein. Other unknown and unpredictable factors could also impact the accuracy of such forward-looking information. Many of these risks and uncertainties relate to factors beyond the Offeror's ability to control or estimate precisely. Consequently, there can be no assurance that the actual results or developments anticipated by the Offeror will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Offeror, its future results and performance.

Forward-looking information contained in this Notice of Change and Variation and the Original Offer to Purchase and the Circular, including the documents incorporated by reference herein and therein, is based on the Offeror's beliefs and opinions at the time the information is given, and there should be no expectation that this forward-looking information will be updated or supplemented as a result of new information, estimates or opinions, future events or results or otherwise, and the Offeror disavows and disclaims any obligation to do so except as required by applicable Law. Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of the Offeror or any of its affiliates or Iron Bridge.

Unless otherwise indicated, the information concerning Iron Bridge contained herein has been taken from or is based solely upon publicly available documents and records on file with the Securities Regulatory Authorities and other public sources available at the time of the Offer. Although the Offeror has no knowledge that would indicate that any statements contained herein and taken from or based on such documents and records are untrue or incomplete, none of the Offeror or any of its respective officers or directors assumes any responsibility for the accuracy or completeness of such information, or for any failure by Iron Bridge to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to the Offeror. Unless otherwise indicated, information concerning Iron Bridge is given as of September 12, 2018.

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## NOTICE OF CHANGE AND VARIATION

September 12, 2018

### **TO: THE HOLDERS OF COMMON SHARES OF IRON BRIDGE**

As set out in this Notice of Change and Variation, the Offeror has: (a) increased the consideration offered to Shareholders under the Offer to \$0.845 in cash per Common Share; (b) extended the Expiry Time of the Offer to 5:00 p.m. (Toronto time) on September 24, 2018; and (c) amended certain terms and conditions of the Offer in connection with the Support Agreement, as described under Section 5 of this Notice of Change and Variation, "*Revised Conditions of the Offer*".

Consequential amendments in accordance with this Notice of Change and Variation are deemed to be made, where required, to the Offer Documents. Except as otherwise set out in this Notice of Change and Variation, the terms and conditions set out in the Original Offer to Purchase and Circular, and in the Letter of Transmittal and the Notice of Guaranteed Delivery continue to remain in effect, unamended. This Notice of Change and Variation should be read in conjunction with the Offer Documents.

#### **1. Increase to the Offer Consideration**

The Offeror has increased the consideration offered to Shareholders under the Offer from \$0.75 in cash per Common Share to \$0.845 in cash per Common Share. All Shareholders who deposit their Common Shares under the Offer will receive the increased consideration per Common Share described herein, including those Shareholders who have already validly deposited and not properly withdrawn their Common Shares under the Offer. All Shareholders who have already validly deposited and not properly withdrawn their Common Shares under the Offer do not need to do anything further to receive the increased consideration offered by the Offeror for Common Shares under the Offer.

In connection with the increase in the consideration offered to Shareholders, all references in the Offer Documents to the price offered by the Offeror are deemed to be amended to reflect an offer price of \$0.845 rather than \$0.75.

In addition, due to the increased consideration offered to Shareholders under the Offer, the estimated amount required for the purchase of the Common Shares under the Offer has increased. Accordingly, all references to "approximately \$120 million, plus related fees and expense associated with the Offer" in the Original Offer to Purchase and Circular are deleted in their entirety and replaced by "approximately \$130 million, plus related fees and expense associated with the Offer".

#### **2. Background to the Amended Offer**

The Offer was originally scheduled to expire at 5:00 p.m. (Calgary time) on September 12, 2018. On August 29, 2018, Iron Bridge's financial advisor, Cormark Securities Inc. ("**Cormark**"), reached out to Velvet's financial advisor, BMO Nesbitt Burns Inc. ("**BMO**"), to ask whether there was any update to the Offer. Velvet held a meeting of its board of directors (the "**Velvet Board**") on August 31, 2018 and following such meeting, BMO reached out to Cormark to deliver the message that Velvet believed it had already materially increased the consideration it was offering under the Offer given Iron Bridge's debt increase since the time that the Offer was initially made.

On the morning of Sunday, September 2, 2018, a major shareholder of Iron Bridge reached out to Ken Woolner, the President and Chief Executive Officer of Velvet, and expressed an interest in having a conversation. Mr. Woolner had a call with the major shareholder on the evening of September 2, 2018 and discussed the strategic alternatives available to Iron Bridge and the merits of the Offer. Mr. Woolner had a follow-up call with the same major shareholder on Monday, September 3, 2018, wherein Mr. Woolner provided an update on Velvet's perspective of Iron Bridge's liquidity situation and operational issues. Mr. Woolner and the major shareholder came to an understanding on a non-binding structure for a friendly transaction that the major shareholder would agree to support, subject to an increase in the cash consideration offered per Common Share and subject to a short due diligence period for the benefit of Velvet.

Velvet held a meeting of the Velvet Board on September 5, 2018 to update the Velvet Board on the proposed transaction and timelines. The Velvet Board authorized management to proceed with a 24-hour due diligence review of Iron Bridge that was focused on gaining a further understanding of Iron Bridge's debt, working capital and land tenure. On September 5, 2018, Velvet and Iron Bridge entered into a non-binding letter of intent that provided for a limited due diligence review and reflected the material terms of a friendly transaction. Following the execution of the non-binding letter of intent, Velvet commenced its due diligence review.

The Velvet Board met again on September 7, 2018 and Velvet management reported on its due diligence findings. The Velvet Board authorized Velvet to proceed to negotiate, execute and deliver the necessary agreements to effect a transaction consistent with the contemplated terms of the amended Offer reflected in the non-binding letter of intent.

Negotiations continued over the weekend of September 8, 2018 and September 9, 2018 and ultimately on September 9, 2018 the Velvet Board and the board of directors of Iron Bridge (the "**Iron Bridge Board**") unanimously approved an increase in cash consideration per Common Share under the Offer from \$0.75 to \$0.845 and for Velvet to assume Iron Bridge's net debt of an estimated \$9.0 million.

Early in the morning of September 10, 2018, Velvet and Iron Bridge entered into a support agreement (the "**Support Agreement**") pursuant to which, among other things, Velvet agreed to amend the Offer as set out in this Notice of Change and Variation and the Iron Bridge Board unanimously determined that the Offer (as amended) is in the best interests of Iron Bridge and unanimously agreed to recommend to Shareholders that they deposit their Common Shares under the Offer. A copy of the Support Agreement has been filed under Iron Bridge's SEDAR profile at [www.sedar.com](http://www.sedar.com). In addition, in connection with the Support Agreement, all of the directors and officers of Iron Bridge, as well as certain Shareholders (including Maple Rock Capital Partners Inc. and Bison Interests, LLC and their respective affiliates and principals), who own or control, directly or indirectly, approximately 35% of the outstanding Common Shares have entered into lock-up agreements with Velvet, pursuant to which they have committed to deposit all of the Common Shares owned or controlled by them under the Offer and to otherwise support the Offer.

On September 12, 2018, the Iron Bridge Board issued the Iron Bridge Notice of Change (as defined herein) to their Directors' Circular (as defined herein) unanimously recommending that Shareholders accept and deposit their Common Shares under the Offer.

### **3. Reasons to Accept the Offer**

The Offeror believes that the increased consideration under the Offer represents a full and fair price for the Common Shares at a substantial premium to the pre-Offer market price. The following information is supplemental to and provides an update to the Questions and Answers about the Offer and Section 5 of the Original Circular, "*Reasons to Accept the Offer*".

- **Significant Premium to Market Price.** The Offer represents a significant 78% premium to the closing price of the Common Shares on the TSX on May 11, 2018, the last trading day prior to the submission of Velvet's offer letter to the Iron Bridge Board. The Offer also represents a premium of 63% to the 20-day volume weighted-average trading price of the Common Shares on the TSX for the period ended May 18, 2018, the last trading day prior to the date of Velvet's announcement of its intention to make the Offer.

The disclosure set out in the first paragraph of Section 6 of the Original Circular, "*Purpose of the Offer*" (page 40 of the Original Offer to Purchase and Circular) is deleted in its entirety and replaced with the following:

The purpose of the Offer is to enable the Offeror to acquire all of the outstanding Common Shares. The effect of the Offer is to give all Shareholders the opportunity to receive \$0.845 in cash per Common Share, representing a 78% premium over the closing price of \$0.475 per Common Share on the TSX on May 11, 2018 (the last trading day prior to Velvet submitting an offer letter to the Iron Bridge Board on May 13, 2018).

As well, the disclosure set out in the Original Offer to Purchase and Circular in the Questions and Answers about the Offer in respect to the question "*What does the Iron Bridge Board think of the Offer?*" (page 7 of the Original Offer to Purchase and Circular) is deleted in its entirety.

#### 4. Time of Acceptance – Extension of the Offer

The Offeror has extended the Expiry Time of the Offer from 5:00 p.m. (Toronto time) on September 12, 2018 to 5:00 p.m. (Toronto time) on September 24, 2018, unless the Offer is further extended or withdrawn by the Offeror. Accordingly, the definition of "Expiry Time" in the Original Offer to Purchase and Circular is deleted in its entirety and replaced with the following definition:

"**Expiry Time**" means 5:00 p.m. (Toronto time) on September 24, 2018, or such earlier or later time or times and date or dates as may be fixed by the Offeror from time to time pursuant to Section 5 of the Original Offer to Purchase, "*Extension, Variation or Change in the Offer*";

In addition, all references to "5:00 p.m. (Toronto time) on September 12, 2018" in the Offer Documents are deleted in their entirety and replaced by "5:00 p.m. (Toronto time) on September 24, 2018".

#### 5. Revised Conditions of the Offer

Pursuant to the terms of the Support Agreement, the Offeror has varied the conditions of the Offer. Accordingly, Section 4 of the Original Offer to Purchase, "*Conditions of the Offer*" is hereby replaced in its entirety with the text that follows. All references in the Offer Documents to the conditions of the Offer are deemed to be amended to reflect the following:

Subject to applicable Law, the Offeror will have the right to withdraw the Offer and not take up or pay for any Common Shares deposited under the Offer, unless all of the following conditions are satisfied or waived by the Offeror at or prior to the Amended Initial Expiry Time:

- (a) all conditions listed in Section 1.2 [*Conditions Precedent to Amending the Original Offer*] of the Support Agreement are satisfied at the Amended Initial Expiry Time, as if such conditions speak as of that time (including in respect of the deemed confirmation of the representations, warranties and covenants);
- (b) there shall have been validly deposited under the Offer and not withdrawn that number of Common Shares, that constitutes more than 50% of the outstanding Common Shares, excluding any Common Shares beneficially owned, or over which control or direction is exercised, by the Offeror or by any person acting jointly or in concert with the Offeror (the "**Statutory Minimum Condition**") (which condition is not waivable by the Offeror);
- (c) there shall have been validly deposited pursuant to the Offer and not withdrawn that number of Common Shares, together with any Common Shares (if any) beneficially owned, or over which control or direction is exercised, by the Offeror and by any person acting jointly or in concert with the Offeror, that constitutes not less than two thirds (66⅔%) of the outstanding Common Shares (the "**Minimum Tender Condition**") (which condition is waivable by the Offeror in its sole discretion);
- (d) the Offeror shall have determined, in its sole judgment, that there does not exist and there shall not have occurred or been publicly disclosed since the date of the Offer, a Material Adverse Effect;
- (e) all government or regulatory consents, authorizations, waivers, permits, reviews, orders, rulings, decisions, approvals or exemptions (including, without limitation, those of any stock exchange or other Securities Regulatory Authorities) that are necessary or desirable, in the Offeror's sole judgment, to complete the Offer and the acquisition of Common Shares, and/or to complete a Compulsory Acquisition or Subsequent Acquisition Transaction, shall have been obtained or concluded on terms and conditions satisfactory to the Offeror in its sole judgment, and/or all

regulatory notice, waiting or suspensory periods (including any extensions thereof) in respect of the foregoing shall have expired or been terminated or waived;

- (f) the Offeror shall have determined, in its sole judgment, that: (i) no act, action, suit or proceeding shall have been threatened, taken or commenced by or before, and no judgment or order shall have been issued by, any domestic or foreign elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity), any governmental agency or regulatory authority or administrative agency or commission in Canada, the United States or elsewhere, any domestic or foreign court, tribunal or other regulatory authority or any other person in any case, whether or not having the force of Law; and (ii) no Law shall have been proposed, enacted, promulgated, amended or applied, in either case: (A) to prevent or challenge the Offer or the Offeror's ability to make or maintain the Offer; or (B) to cease trade, enjoin, prohibit or impose material limitations or conditions on or make materially more costly the making of the Offer, the purchase by or the sale to the Offeror of the Common Shares, the right of the Offeror to own or exercise full rights of ownership over the Common Shares, or the consummation of any Compulsory Acquisition or Subsequent Acquisition Transaction or which could have any such effect;
- (g) the Offeror shall have determined, in its sole judgment, that neither Iron Bridge nor any of its subsidiaries has taken, agreed to take or disclosed that it intends to take any of the following actions:
  - (i) the adoption or implementation of a shareholder rights plan or any other action that provides rights to Shareholders to purchase any securities of Iron Bridge as a result of the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction;
  - (ii) any amendment to their respective articles or by-laws;
  - (iii) any incurrence or guarantee of indebtedness or of hedge or similar obligations, other than conventional senior bank debt incurred in the ordinary course;
  - (iv) except as may be required by Law, the adoption, establishment or entering into of any new, or any amendment to any existing, employment, change in control, severance, compensation, benefit or similar agreement, arrangement or plan with or for one or more of Iron Bridge's employees, consultants or directors (other than the entering into of employment agreements with new employees after the date of the Support Agreement, who are not directors, officers or family members of directors or officers, if made in the ordinary course), the making of grants or awards pursuant to any agreements, arrangements or plans to provide for increased benefits to one or more employees, consultants or directors of Iron Bridge (other than the making of any grants or awards to the extent required to be made pursuant to any agreement in effect prior to the date of the Support Agreement) or making any payment or otherwise altering the terms of any outstanding awards (including, without limitation, Convertible Securities) to provide for a payment or other entitlement that represents an increase from that disclosed in Iron Bridge's public filings;
  - (v) any declaration, payment or authorization of any dividend, distribution or payment of or on any of its securities;
  - (vi) any change to the capitalization of Iron Bridge or any of its subsidiaries, including, without limitation, any issuance, authorization, adoption or proposal regarding the issuance of, or purchase, or proposal to purchase, any Common Shares, other shares of Iron Bridge or Convertible Securities other than pursuant to the exercise, exchange or redemption of Convertible Securities issued prior to the date of the Support Agreement;

- (vii) the announcement of or entering into of any take-over bid or tender offer (including, without limitation, an issuer bid or self-tender offer) or exchange offer, merger, amalgamation, plan of arrangement, reorganization, consolidation, business combination, reverse take-over, sale of substantially all of its assets, sale of securities, recapitalization, liquidation, dissolution, winding up or similar transaction involving Iron Bridge or any of its subsidiaries; or
  - (viii) any material joint venture, earn-in, farm-in, monetization of midstream assets, sale of an overriding royalty, other mutual co-operation agreement or distribution agreement;
- (h) neither the Offeror nor any of its affiliates or associates shall have entered into a definitive agreement or an agreement in principle with Iron Bridge providing for a plan of arrangement, amalgamation, merger, acquisition of assets or other business combination with Iron Bridge or for the acquisition of securities of Iron Bridge or for the commencement of a new offer for the Common Shares, pursuant to which the Offeror has determined that the Offer will be terminated; and
- (i) the Support Agreement shall not have been terminated in accordance with its terms.

The foregoing conditions are for the exclusive benefit of the Offeror. The Offeror may assert any of the foregoing conditions at any time, regardless of the circumstances giving rise to such assertion (including, without limitation, any action or inaction by the Offeror giving rise to any such assertions). In all cases, when exercising its sole judgment or discretion, the Offeror intends to act reasonably. The Offeror may waive any of the foregoing conditions in its sole discretion, in whole or in part, at any time and from time to time, both before and after the Amended Initial Expiry Time, without prejudice to any other rights which the Offeror may have other than the condition in paragraph (b) above which cannot be waived. Each of the foregoing conditions is independent of and in addition to each other of such conditions and may be asserted irrespective of whether any other of such conditions may be asserted in connection with any particular event, occurrence or state of facts or otherwise. The failure by the Offeror at any time to exercise or assert any of the foregoing rights shall not be deemed to constitute a waiver of any such right; the waiver of any such right with respect to particular facts or circumstances shall not be deemed to constitute a waiver with respect to any other facts or circumstances, and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time by the Offeror. Any determination by the Offeror concerning any event or other matter described in the foregoing conditions will be final and binding upon all parties.

Any waiver of a condition or the withdrawal of the Offer shall be effective upon written notice or other communication confirmed in writing by the Offeror to that effect to the Depositary and Information Agent at its principal office in Toronto, Ontario. The Offeror, promptly after giving any such notice or other communication, shall issue and file a press release announcing such waiver or withdrawal and shall cause the Depositary and Information Agent, if required by Law, as soon as practicable thereafter to notify the Shareholders thereof in the manner set out in Section 10 of the Original Offer to Purchase, "*Notices and Delivery*". If the Offer is withdrawn, the Offeror shall not be obligated to take up or pay for any Common Shares deposited under the Offer and the Depositary and Information Agent will promptly return all certificate(s) or other evidence representing deposited Common Shares, Letters of Transmittal, Notices of Guaranteed Delivery and related documents to the parties by whom they were deposited at the Offeror's expense. See Section 8 of the Original Offer to Purchase, "*Return of Deposited Common Shares*".

In addition to the foregoing, the following definitions are added to the Glossary section of the Original Offer to Purchase and Circular (in each case, in the alphabetical order in relation to the other defined terms set out therein) and where identical defined terms to those below are contained in the Original Offer to Purchase and Circular, the terms below shall replace the terms in the Original Offer to Purchase and Circular in their entirety. All applicable references in the Offer Documents are deemed to be amended to reflect the following:

**"Alternative Transaction"** means an amalgamation, merger, arrangement, consolidation or any other transaction pursuant to which the Offeror, or an affiliate or subsidiary thereof, shall acquire all, but not less than all, of the issued and outstanding voting securities of Iron Bridge in consideration for \$0.845 in cash per Common Share and which does not impose additional conditions to completion thereof as compared to the Offer and is not structured in a manner which will result in adverse tax consequences to the Shareholders as compared to the Offer;

**"Amended Initial Expiry Time"** means 5:00 p.m. (Toronto time) on September 24, 2018, or such later date as the Offeror may require, including any extensions thereof prior to the Initial Take-up Time as contemplated in Section 1.1(a) [*The Offer*] of the Support Agreement;

**"Directors' Circular"** means the Iron Bridge directors' circular dated June 13, 2018 in respect of the Original Offer;

**"Effective Time"** means:

- (a) the effective time of the closing of the Alternative Transaction in the event that: (i) the conditions to the Offer are not satisfied or waived by the Offeror prior to the Expiry Time; (ii) the Offeror elects not to take-up and pay for Common Shares deposited and not withdrawn under the Offer; and (iii) the Offeror instead elects to pursue an Alternative Transaction; or
- (b) the Initial Take-up Time in the event that the Offeror elects to complete the Offer rather than pursue an Alternative Transaction;

**"Fairness Opinion"** means the opinion from Cormark Securities Inc., as to the fairness, from a financial point of view, of the consideration being offered under the Offer to the Shareholders;

**"Initial Take-up Time"** means the time at which the Offeror first takes up Common Shares deposited under the Offer.

**"Iron Bridge Notice of Change"** means the notice of change to be mailed by Iron Bridge to the Shareholders to amend the Directors' Circular in accordance with the Support Agreement;

**"Material Adverse Effect"** means any condition, event, circumstance, change, effect, development, occurrence or state of facts which, when considered either individually or in the aggregate is, or could reasonably be expected to be, material and adverse to the assets, liabilities (whether absolute, accrued, conditional or otherwise and including, without limitation, any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, results of operations, capitalization, financial condition, rights or status for tax purposes of Iron Bridge and its subsidiaries, taken as a whole, other than any condition, event, circumstance, change, effect, development, occurrence or state of facts resulting from:

- (a) general economic, financial, currency exchange, securities, credit or commodity prices in Canada or elsewhere;
- (b) conditions affecting the oil and natural gas exploration, exploitation, development and production industry as a whole, and not specifically relating to Iron Bridge and/or its subsidiaries;
- (c) any decline in crude oil or natural gas prices on a current or forward basis;
- (d) any matter in respect of which there has been public disclosure or disclosure in writing to the Offeror on or prior to the date of the Support Agreement;

- (e) changes in applicable Laws (including tax laws);
- (f) the failure of Iron Bridge to meet any internal or published projections, forecasts or estimates of revenues, earnings, cash flow or production or petroleum substances or natural gas;
- (g) any changes in the trading price or trading volumes of the Common Shares;
- (h) any acts of God, riots, terrorism, sabotage, earthquakes, epidemics, military action or war (whether or not declared), change in global, national or regional political conditions, civil unrest, or disturbances or similar event or escalation or worsening thereof; or
- (i) any actions taken (or omitted to be taken) at the written request of the Offeror or any actions taken that are required pursuant to the Support Agreement;

provided, however, that in each case, the causes underlying such changes may be considered to determine whether such causes constitute a Material Adverse Effect and where, in the case of (a), (b), (c), (d) and (e), such effect relating to or resulting from the foregoing does not have a disproportionate effect on the assets, liabilities, business, operations, results of operations, capitalization, financial condition, rights or status for tax purposes of Iron Bridge and its subsidiaries, taken as a whole, as compared to the corresponding effect on comparable persons operating in the industries and geographic areas in which Iron Bridge or any of its affiliates operate;

"**Representatives**" means the officers, directors, employees, financial advisors, legal counsel, accountants and other agents and representatives of a party to the Support Agreement;

## 6. Support Agreement

As noted above, on September 10, 2018, the Offeror and Iron Bridge entered into the Support Agreement. In connection with the terms thereof, the Offeror has amended certain terms and conditions of the Offer. See Section 1, "*Increase of the Offer Consideration*", Section 4, "*Time of Acceptance – Extension of the Offer*", and Section 5, "*Revised Conditions of the Offer*", in each case, of this Notice of Change and Variation.

### *Summary of the Support Agreement*

The following is a summary of certain material terms of the Support Agreement. This summary has been included to provide Shareholders with factual information respecting the terms of the Support Agreement and is qualified in its entirety by reference to the full text thereof, a copy of which has been filed with applicable Securities Regulatory Authorities on September 11, 2018 on SEDAR at [www.sedar.com](http://www.sedar.com) under Iron Bridge's profile. Readers are urged to consult the full text of the Support Agreement for further information.

For the purposes of the following Support Agreement summary, all capitalized terms used but not otherwise defined shall have the meanings ascribed to such terms in the Support Agreement.

### *The Offer*

Subject to the terms and conditions of the Support Agreement, the Offeror agreed to amend the Original Offer by: (i) increasing the consideration payable for each Common Share to \$0.845 in cash; (ii) extending the expiry time under the Original Offer from 5:00 p.m. (Toronto time) on September 12, 2018 to 5:00 p.m. (Toronto time) on September 24, 2018, or such later date as Velvet may require (the "**Amended Initial Expiry Time**"); and (iii) replacing the conditions to the Original Offer, other than for certainty the Statutory Minimum Condition, with the conditions set out in Schedule A to the Support Agreement (as set out in Section 5 of this Notice of Change and Variation, "*Revised Conditions of the Offer*").

The Support Agreement provides that the Offeror may, in its sole discretion, but subject to applicable securities Laws, modify or waive any term or condition of the Offer or extend the Expiry Time; provided, however, that the Offeror shall not, without the prior written consent of Iron Bridge: (i) decrease the consideration per Common Share or change the form of consideration payable under the Offer (other than to add additional consideration); (ii) decrease the number of Common Shares in respect of which the Offer is made; or (iii) impose additional conditions to the Offer or otherwise vary the Offer (or any terms or conditions thereof) in a manner which is adverse to the Shareholders (it being understood that a waiver, in whole or in part, of any condition of the Offer in accordance with the Support Agreement and any extension of the Expiry Time, shall not be considered to be adverse to the Shareholders).

#### *Conditions Precedent to Amending the Original Offer*

The Support Agreement provides that the obligation of the Offeror to amend the Original Offer in accordance with the provisions of the Support Agreement and to mail this Notice of Change and Variation is conditional upon the prior satisfaction of the following conditions:

- (a) the representations and warranties made by Iron Bridge in the Support Agreement shall be true and correct as of the date of this Notice of Change and Variation as if made on and as of such date (and, unless Iron Bridge otherwise notifies the Offeror in writing prior to such date, Iron Bridge shall be deemed to have confirmed that such representations and warranties are true and correct on and as of that date);
- (b) Iron Bridge shall have complied in all material respects with its covenants in Section 1.4 [*Directors' Circular*] and Section 3.2(i) [*Covenants of Iron Bridge*] and Section 3.2(a) [*Covenants of Iron Bridge*] and Section 3.2(j) [*Covenants of Iron Bridge*] of the Support Agreement (and, unless Iron Bridge otherwise notifies the Offeror in writing prior to such date, Iron Bridge shall be deemed to have confirmed that it has so complied with such covenants);
- (c) no act, action, suit, proceeding, objection or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Regulatory Authority or by any other person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall exist or shall have been proposed, enacted, promulgated, amended or applied, in any case: (i) to cease trade, enjoin, prohibit or impose material conditions on the transactions contemplated by the Support Agreement (including to cease trade, enjoin, prohibit or impose material conditions on the rights of the Offeror to own or exercise full rights of ownership of the Common Shares, including the rights to vote the Common Shares, upon the consummation of the Offer or conduct the business conducted by Iron Bridge); (ii) to prohibit or restrict the consummation of the transactions contemplated by the Support Agreement; or (iii) that would have a Material Adverse Effect on Iron Bridge; and
- (d) no applicable Law shall be in effect, and no Regulatory Authority shall have enacted, issued, promulgated, applied for (or advised any of the parties to the Support Agreement in writing that it has determined to make such application), enforced or entered any applicable Law (whether temporary, preliminary or permanent), in either case that restrains, enjoins or otherwise prohibits or restricts the consummation of the transactions contemplated by the Support Agreement.

The conditions set out above are for the exclusive benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances or may be waived in writing by the Offeror in its sole discretion, in whole or in part, at any time and from time to time in accordance with applicable Laws and without prejudice to any other rights which the Offeror may have.

#### *Iron Bridge Directors' Recommendation*

The Support Agreement acknowledges that the Iron Bridge Board, after consulting with Cormark and outside legal counsel, has: (i) determined that the Offer is in the best interests of Iron Bridge; (ii) determined that the consideration under the Offer is fair, from a financial point of view, to the Shareholders; (iii) approved the Support Agreement; and (iv) resolved to recommend that the Shareholders accept the Offer.

## *Directors' Circular*

Under the terms of the Support Agreement, Iron Bridge has agreed to prepare the Iron Bridge Notice of Change in accordance with applicable Laws. The Iron Bridge Notice of Change will set out (among other things) the determinations and recommendation of the Iron Bridge Board on behalf of Iron Bridge as described in Section 1.3(b) [*Iron Bridge Directors' Recommendation*] of the Support Agreement (as described in the second paragraph in Section 4 of this Notice of Change and Variation, "*Support Agreement – Summary of the Support Agreement – Iron Bridge Directors' Recommendation*") and include a copy of the Fairness Opinion.

## *Subsequent Acquisition Transaction or Compulsory Acquisition or Alternative Transaction*

The Support Agreement provides as follows:

- (a) After the Initial Take-up Time, the Offeror shall as soon as practicable pursue a Subsequent Acquisition Transaction to be consummated following the Expiry Time, to acquire the remaining Common Shares; provided, however, that, if, by the Expiry Time or within 120 days after the date of the Original Offer, whichever period is the shorter, the Offeror takes up and pays for not less than 90% of the outstanding Common Shares under the Offer, other than Common Shares held at the date of the Offer by or on behalf of the Offeror or an "affiliate" or associate of the Offeror (as those terms are defined in the ABCA), then Velvet may instead, subject to the terms and conditions of the Support Agreement, complete as soon as practicable a Compulsory Acquisition. Any Subsequent Acquisition Transaction or Compulsory Acquisition shall provide for consideration to be paid to the Shareholders in an amount not less than, and in the same form as, the consideration per Common Share under the Offer (less any applicable required withholding taxes). Iron Bridge has also agreed to cooperate in all commercially reasonable respects with the Offeror, including taking all steps and doing all such acts and things, and causing its subsidiaries to take all steps and to do all such acts and things, if applicable, as may be reasonably requested by the Offeror, in the consummation of any Compulsory Acquisition or Subsequent Acquisition Transaction.
- (b) If: (i) the conditions to the Offer are not satisfied or waived by the Offeror prior to the Amended Initial Expiry Time; (ii) the Offeror elects not to take-up and pay for Common Shares deposited and not withdrawn under the Offer; and (iii) the Offeror instead elects to pursue an Alternative Transaction, then Iron Bridge covenants and agrees to support such Alternative Transaction and, in connection therewith:

### Definitive Agreement

- (i) Iron Bridge and the Offeror shall expeditiously, and as soon as reasonably practicable, negotiate in good faith a definitive agreement in respect of such Alternative Transaction;

### Directors' Recommendation

- (ii) the definitive agreement governing such Alternative Transaction shall require Iron Bridge to confirm that the Iron Bridge Board has unanimously: (A) determined that the Alternative Transaction is in the best interests of Iron Bridge; (ii) approved the Alternative Transaction; and (iii) resolved to recommend that the Shareholders vote in favour of any one or more resolutions required to be approved thereby in order to approve the Alternative Transaction (the "**Shareholder Resolutions**");

### Information Circular

- (iii) as soon as commercially reasonably practicable after the execution and delivery of the definitive agreement governing such Alternative Transaction and in accordance with the terms of such definitive agreement, Iron Bridge shall convene a special meeting of the Shareholders (the "**Meeting**"), including any postponement or adjournment thereof, to approve the Alternative Transaction and shall prepare a management information circular (the "**Information Circular**") to be mailed to Shareholders in connection with the holding

of the Meeting, together with any other documents required under the ABCA or applicable Laws with respect to the Alternative Transaction and shall cause the same to be sent to all Shareholders and filed as required under the ABCA and applicable Laws.

- (iv) subject to the terms of such definitive agreement governing such Alternative Transaction, Iron Bridge shall cause the Information Circular to include: (i) the unanimous determination of the Iron Bridge Board that the Alternative Transaction is in the best interests of Iron Bridge; and (ii) the unanimous recommendation of the Iron Bridge Board that the Shareholders vote in favour of the Shareholder Resolutions at the Meeting.

#### *Iron Bridge Covenant Regarding Non-Solicitation*

Under the terms of the Support Agreement, Iron Bridge has agreed that, except as otherwise provided in the Support Agreement, it shall not directly or indirectly through any of its Representatives: (i) solicit, assist, initiate, encourage or otherwise facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) any inquiries, offers or proposals regarding an Acquisition Proposal or otherwise co-operate in any way with, or assist with or participate in any way in any effort or attempt by any person to make an Acquisition Proposal; (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal; (iii) withdraw, modify or qualify (or propose to do so) in a manner adverse to the Offeror, the approval or recommendation of the Iron Bridge Board or any committee thereof of the Support Agreement or the Offer, as contemplated in the Support Agreement; (iv) approve or recommend or propose publicly to approve or recommend any Acquisition Proposal; or (v) accept, recommend, approve or enter into any letter of intent, agreement in principle, agreement, understanding or arrangement in respect of an Acquisition Proposal or providing for the payment of any break, termination or other fees or expenses to any person in the event that Iron Bridge completes the transactions contemplated in the Support Agreement or any other transaction with the Offeror or any of its affiliates agreed to prior to any termination of the Support Agreement, whether formal or informal.

Under the terms of the Support Agreement, Iron Bridge has also agreed that it shall, and shall cause its Representatives to, immediately terminate any existing discussions or negotiations with any person (other than the Offeror or its Representatives) with respect to any proposal that constitutes, or which could reasonably be expected to constitute, an Acquisition Proposal, whether or not initiated by Iron Bridge. Iron Bridge also agreed that it shall not amend, modify or waive any of the standstill (or similar) provisions of the confidentiality agreements entered into by Iron Bridge with other persons relating to a potential Acquisition Proposal and it shall enforce all such standstill (or similar) provisions.

Under the terms of the Support Agreement, Iron Bridge is obligated: (i) as soon as practicable and in any event within 24 hours following receipt thereof to notify the Offeror, at first orally and then in writing, of any inquiry, proposal or offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, any request for discussions or negotiations in relation to a potential Acquisition Proposal and/or any request for non-public information relating to Iron Bridge or for access to properties, books and records or a list of the securityholders of Iron Bridge in relation to a potential Acquisition Proposal or any amendments to the foregoing; and (ii) to keep the Offeror promptly and fully informed of the status of any material developments, including any change to the material terms, of any such proposal or offer or any amendment to the foregoing.

The Support Agreement provides that if, after the date of the Support Agreement, Iron Bridge receives a request for non-public information in relation to a potential Acquisition Proposal which constitutes a *bona fide* Acquisition Proposal (that was not solicited, assisted, initiated, encouraged or otherwise facilitated after the date of the Support Agreement in contravention of the Support Agreement), and: (i) the Iron Bridge Board determines in good faith after consultation with its financial advisors and its legal counsel, that such Acquisition Proposal is, or would reasonably be expected to lead to, a Superior Proposal; and (ii) the failure to provide the person making such Acquisition Proposal with access to such information regarding Iron Bridge would be inconsistent with the fiduciary duties of the Iron Bridge Board, then, and only then, Iron Bridge may provide such person with access to information regarding Iron Bridge, subject to the execution of a confidentiality agreement which is in customary form and which does not violate the Support Agreement; provided, however, that Iron Bridge sends a copy of any such confidentiality agreement to the Offeror promptly upon its execution and the Offeror is provided with a list of or copies of the information provided to such person and is provided forthwith with access to similar information to which such person was provided.

The Support Agreement defines "**Acquisition Proposal**" to mean any direct or indirect proposal, inquiry or offer made in respect of Iron Bridge or any of its securityholders from any person, other than the Offeror, or group of persons "acting jointly or in concert" (within the meaning of NI 62-104), whether or not subject to due diligence or other conditions and whether oral or in writing, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (a) any direct or indirect sale, issuance or acquisition of shares or other securities (or securities convertible or exercisable for such shares or interests) in Iron Bridge or any subsidiary of Iron Bridge that, when taken together with the securities of Iron Bridge held by the proposed acquiror and any person acting jointly or in concert with such acquiror, represent 20% or more of the voting securities of Iron Bridge or any subsidiary of Iron Bridge or rights or interests therein and thereto;
- (b) any direct or indirect acquisition of a substantial amount of assets (or any lease, joint venture, long-term supply agreement or other arrangement having the same economic effect as a purchase or sale of a substantial amount of assets) of Iron Bridge or any subsidiary of Iron Bridge, taken as a whole;
- (c) an amalgamation, arrangement, merger, or consolidation involving Iron Bridge or any of its subsidiaries;
- (d) any take-over bid (initiated by advertisement or circular), issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Iron Bridge or any subsidiary of Iron Bridge; or
- (e) any other transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Support Agreement, the Offer or an Alternative Transaction;

except that for the purpose of the definition of "Superior Proposal", the references in this definition of "Acquisition Proposal" to "20% or more of the voting securities" shall be deemed to be references to "100% of the voting securities", and the references to "a substantial amount of assets" shall be deemed to be references to "all or substantially all of the assets". For greater certainty, and the avoidance of doubt, an Alternative Transaction shall not constitute an Acquisition Proposal;

The Support Agreement defines "**Superior Proposal**" to mean an unsolicited written *bona fide* Acquisition Proposal made by a third party, which the Iron Bridge Board determines in good faith:

- (a) is not subject to a financing condition and in respect of which any funds or other consideration necessary to complete the Acquisition Proposal have been demonstrated, to the satisfaction of the Iron Bridge Board, acting in good faith (after receiving advice from its financial advisor(s) and outside legal counsel), to have been obtained or are reasonably likely to be obtained (as evidenced by a written financing commitment from one or more reputable financial institutions) to fund completion of the Acquisition Proposal at the time and on the basis set out therein;
- (b) after consultation with its financial advisor(s) and outside legal counsel, is reasonably likely to be completed in accordance with its terms without undue conditionality or delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the person making such proposal;
- (c) is reasonably likely to be consummated within a timeframe that is reasonable in the circumstances taking into account all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal;
- (d) did not result or involve a breach of Section 4.1 [*Iron Bridge Covenant Regarding Non-Solicitation*] or Section 4.2 [*Right to Match*] of the Support Agreement or any other agreement between Iron

Bridge and the third party making such Acquisition Proposal and that complies with all applicable Laws, including applicable securities Laws;

- (e) is not subject to any due diligence or access condition; and
- (f) after the receipt of advice from its outside legal counsel in respect of (i) below and its financial advisor(s) in respect to (ii) below, in each case as reflected in the minutes of the Iron Bridge Board), that: (i) failure to recommend such Acquisition Proposal would be inconsistent with its fiduciary duties under applicable Laws; and (ii) such Acquisition Proposal, if consummated in accordance with its terms, would result in a transaction more favourable to Shareholders, from a financial point of view, than the Offer (including, in each case, after taking into account any modifications to the Support Agreement proposed by the Offeror as contemplated in Section 4.2 [*Right to Match*] of the Support Agreement).

#### *Right to Match*

Pursuant to the terms of the Support Agreement, Iron Bridge has agreed, subject to the paragraph below, that it will not accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by Section 4.1(d) [*Iron Bridge Covenant Regarding Non-Solicitation*] of the Support Agreement) or withdraw, modify or qualify its approval or recommendation of the Offer and recommend or approve the Acquisition Proposal, unless: (i) the Iron Bridge Board determines that the Acquisition Proposal constitutes a Superior Proposal; (ii) Iron Bridge has complied with its obligations under all other provisions of Article 4 [*Additional Agreement*] of the Support Agreement and has provided the Offeror with a copy of the Acquisition Proposal; (iii) a period (the "**Response Period**") of five business days shall have elapsed from the later of: (A) the date on which the Offeror received written notice from the Iron Bridge Board that the Iron Bridge Board determined, subject only to compliance with Section 4.2 [*Right to Match*] of the Support Agreement, as summarized in this paragraph, to accept, approve, recommend or enter into a binding agreement to proceed with the Superior Proposal; and (B) the date the Offeror received a copy of such Acquisition Proposal; (iv) after the Response Period and compliance with the provisions of Section 4.2(b) [*Right to Match*] of the Support Agreement in respect thereof, the Iron Bridge Board determines in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal continues to constitute a Superior Proposal; and (v) Iron Bridge concurrently terminates the Support Agreement in accordance with its terms and has paid or concurrently pays to the Offeror the Termination Payment (as defined below) in accordance with the provisions of the Support Agreement.

During the Response Period, the Offeror will have the right, but not the obligation, to offer to amend in writing the terms of the Support Agreement and the Offer. Iron Bridge has agreed that, if requested by the Offeror, it will negotiate with the Offeror in good faith to amend the terms of the Support Agreement and the Offer. The Iron Bridge Board will review any such written amendment to determine, in good faith in the exercise of its fiduciary duties, and upon the advice of its financial advisors, whether the Acquisition Proposal to which the Offeror is responding would constitute a Superior Proposal when assessed against the Offer as proposed by the Offeror to be amended. If the Iron Bridge Board does not so determine, the Iron Bridge Board will cause Iron Bridge to enter into an amendment to the Support Agreement reflecting the proposal by the Offeror to amend the terms of the Offer and upon the execution by Iron Bridge and the Offeror of such amendment, Iron Bridge will reaffirm its recommendation of the Offer, as so amended. If the Iron Bridge Board does so determine, Iron Bridge may approve, recommend, accept or enter into an agreement, understanding or arrangement to proceed with the Superior Proposal, subject to the terms of and compliance with the Support Agreement. Each successive amendment to any Acquisition Proposal (including any Superior Proposal) that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Shareholders shall constitute a new Acquisition Proposal (or a new Superior Proposal, where applicable) for the purposes of the Support Agreement and the Offeror shall be afforded a new Response Period in respect of each such Acquisition Proposal.

*Agreement as to Velvet Damages*

If at any time after the execution of the Support Agreement:

- (a) the Iron Bridge Board fails to recommend that the Shareholders accept the Offer or withdraws, amends, changes or qualifies, or resolves or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to the Offeror, any of its recommendations or determinations referred to in Section 1.3(b) [*Iron Bridge Directors' Recommendation*] of the Support Agreement (as described in the second paragraph in Section 4 of this Notice of Change and Variation, "*Support Agreement – Summary of the Support Agreement – Iron Bridge Directors' Recommendation*");
- (b) the Iron Bridge Board fails to publicly reaffirm any of its determinations or recommendations referred to in Section 1.3(b) [*Iron Bridge Directors' Recommendation*] of the Support Agreement (as described in the second paragraph in Section 4 of this Notice of Change and Variation, "*Support Agreement – Summary of the Support Agreement – Iron Bridge Directors' Recommendation*") during a Response Period as provided for in Section 4.2(b) [*Right to Match*] of the Support Agreement, or otherwise, within 24 hours of any written request to do so by the Offeror (or, in the event that the Effective Time is scheduled to occur within such 24 hour period, as soon as possible and in any event prior to the Effective Time);
- (c) the Offeror shall have terminated the Support Agreement pursuant to Section 5.1(b) [*Termination*] of the Support Agreement (as described in clause (b) under the heading "*– Termination of the Support Agreement*", below) as a result of the making of (or the public announcement of an intention to propose) an Acquisition Proposal (or an amendment thereto) prior to the Amended Initial Expiry Time, and (either prior to or following termination of the Support Agreement) any Acquisition Proposal is consummated or effected within 12 months of the date the first Acquisition Proposal described in Section 4.3(c) [*Agreement as to Velvet Damages*] of the Support Agreement is publicly announced, offered or made;
- (d) Iron Bridge or the Iron Bridge Board accepts, recommends, approves or enters into an agreement, understanding or arrangement to proceed with a Superior Proposal; or
- (e) Iron Bridge is in breach or non-compliance in any material respect with: (i) any of its covenants or obligations in Section 4.1 [*Iron Bridge Covenant Regarding Non-Solicitation*] or Section 4.2 [*Right to Match*] of the Support agreement, for which there shall be no cure period; or (ii) any of its covenants or obligations in Section 1.4 [*Directors' Circular*] or 3.2(i) [*Covenants of Iron Bridge*] or in Section 3.2(j) [*Covenants of Iron Bridge*] of the Support Agreement in respect of a material change in the capital structure of Iron Bridge that is adverse to Iron Bridge (including by declaring or paying a dividend) or implementation of a third party royalty arrangement, which breach or non-compliance individually or in the aggregate, in the case of this clause (ii) of Section 4.3(e) [*Agreement as to Velvet Damages*] of the Support Agreement only, gives rise to, or would result in, at such time, the failure of a condition in Section 1.2 [*Conditions Precedent to Amending the Offer*] of, or Schedule A to the Support Agreement, if such breach or non-compliance, in the case of this clause (ii) of Section 4.3(e) [*Agreement as to Velvet Damages*] of the Support Agreement only and where capable of being cured, is not cured by Iron Bridge by the earlier of: (A) five business days after receipt by Iron Bridge of written notice thereof from the Offeror; and (B) the Effective Time,

(each of the above being a "**Velvet Damages Event**"), then in the event of the termination of the Support Agreement by the Offeror pursuant to Section 5.1(e) [*Termination*] of the Support Agreement (as described in clause (e) under this heading "*– Termination of the Support Agreement*") or Section 5.1(b) [*Termination*] of the Support Agreement (as described in clause (b) under this heading "*– Termination of the Support Agreement*") in the case of a Velvet Damages Event pursuant to Section 4.3(c) [*Agreement as to Velvet Damages*] of the Support Agreement (as described in clause (c) under this heading "*– Agreement as to Velvet Damages*"), Iron Bridge shall pay to the Offeror, within one business day of the first to occur of the foregoing, a fee in the amount of \$7,500,000 (the "**Termination Payment**") as liquidated damages in immediately available funds to an account designated by the Offeror, and after such event but prior to payment of such amount, Iron Bridge shall be deemed to hold such funds in trust for the Offeror, provided

that in the case of a Velvet Damages Event pursuant to Section 4.3(d) [*Agreement as to Velvet Damages*] (as described in clause (d) under this heading "*– Agreement as to Velvet Damages*") of the Support Agreement, such payment shall be made by Iron Bridge to the Offeror concurrently with the acceptance, recommending, approving or entering into of the agreement, understanding or arrangement to proceed with a Superior Proposal by Iron Bridge.

#### *Termination of the Support Agreement*

The Support Agreement shall terminate upon the Offeror and Iron Bridge entering into a definitive agreement governing an Alternative Transaction and may be terminated at any time prior to the Effective Time: (a) by mutual written consent of the Offeror and Iron Bridge; (b) by the Offeror: (i) prior to the mailing of the Iron Bridge Notice of Change if any condition contained in Section 1.2 [*Conditions Precedent to Amending the Offer*] of the Support Agreement is not satisfied or waived by the Offeror at or before mailing the Iron Bridge Notice of Change (after giving effect to any applicable cure periods); or (ii) at the Amended Initial Expiry Time if any condition set out in Schedule A to the Support Agreement has not been satisfied or waived by the Offeror at the Amended Initial Expiry Time and the Offeror has provided written notice to Iron Bridge that the Offeror does not intend to pursue an Alternative Transaction; (c) by Iron Bridge if the Offer has been terminated or withdrawn by the Offeror or if the Offer, including any amendments or extensions thereto, expires pursuant to its terms without the Common Shares being taken up thereunder, and: (i) the Offeror has not elected to pursue an Alternative Transaction; or (ii) the parties to the Support Agreement, after negotiating in good faith, have not entered into a definitive agreement governing an Alternative Transaction within 30 days of such termination, withdrawal or expiration of the Offer; (d) by Iron Bridge if the Offeror shall not have performed in all material respects any material covenant to be performed by the Offeror under the Support Agreement, or if any representation or warranty of the Offeror shall have been or become untrue, in either case if such non-performance or untruth is not cured by the Offeror within five Business Days after receipt by the Offeror of written notice thereof from Iron Bridge, and then only to the extent that the non-performance of the covenant, or the failure of such representation or warranty to be true and correct, following such cure period, prevents the Offeror from consummating the transactions contemplated by the Support Agreement; (e) by the Offeror upon the occurrence of a Velvet Damages Event; or (f) by Iron Bridge, by written notice to the Offeror in order to accept, approve, recommend or enter into an agreement, understanding or arrangement to proceed with a Superior Proposal, the whole in accordance with, and without any breach of, Section 4.1 [*Iron Bridge Covenant Regarding Non-Solicitation*] and Section 4.2 [*Right to Match*] of the Support Agreement, and only if Iron Bridge concurrently pays to the Offeror the Termination Payment.

#### **7. Lock-Up Agreements**

All of the directors and officers of Iron Bridge, as well as certain Shareholders (including Maple Rock Capital Partners Inc. and Bison Interests, LLC and their respective affiliates and principals), who own or control, directly or indirectly, approximately 35% of the outstanding Common Shares have entered into lock-up agreements with the Offeror, pursuant to which they have committed to deposit all of the Common Shares owned or controlled by them under the Offer and to otherwise support the Offer.

#### **8. Manner of Acceptance**

All Shareholders may deposit their Common Shares under the Offer in accordance with Section 3 of the Original Offer to Purchase, "*Manner of Acceptance*". All Shareholders who deposit their Common Shares under the Offer will receive the increased consideration per Common Share described herein, including those Shareholders who have already validly deposited and not properly withdrawn their Common Shares under the Offer. **All Shareholders who have already validly deposited and not properly withdrawn their Common Shares under the Offer do not need to do anything further to receive the increased consideration offered by the Offeror for Common Shares under the Offer.**

The disclosure set out in the first paragraph of Section 3 of the Original Offer to Purchase, "*Manner of Acceptance – Power of Attorney*" (page 23 of the Original Offer to Purchase and Circular) is deleted in its entirety and replaced with the following:

The execution of a Letter of Transmittal (or, in the case of Common Shares deposited by book-entry transfer by the making of a book-entry transfer) irrevocably constitutes and appoints, effective at and after the time that the Offeror takes up the Deposited Common Shares, each director and officer of the Offeror, and any other person designated by the Offeror in writing, as the true and lawful agent, attorney, attorney-in-fact and proxy of the holder of the Deposited Common Shares (which Deposited Common Shares upon being taken up are, together with any Distributions thereon, hereinafter referred to as the "**Purchased Securities**") with respect to such Purchased Securities, with full power of substitution (such powers of attorney, being coupled with an interest, being irrevocable), in the name of and on behalf of such Shareholder:

- (a) to register or record the transfer and/or cancellation of such Purchased Securities, to the extent consisting of securities, on the appropriate securities registers maintained by or on behalf of Iron Bridge;
- (b) for so long as any such Purchased Securities are registered or recorded in the name of such Shareholder, to exercise any and all rights of such Shareholder, including, without limitation, the right to vote, to execute and deliver (provided the same is not contrary to applicable Law), as and when requested by the Offeror, any and all instruments of proxy, authorizations or consents in form and on terms satisfactory to the Offeror in respect of any or all Purchased Securities, to revoke any such instruments, authorizations or consents given prior to or after the time that the Offeror takes up Deposited Common Shares, and to designate in any such instruments, authorizations or consents any person or persons as the proxyholder of such Shareholder in respect of such Purchased Securities for all purposes, including, without limitation, in connection with any meeting or meetings (whether annual, special or otherwise, or any postponements or adjournments thereof, including, without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of Iron Bridge;
- (c) to execute, endorse and negotiate, for and in the name of and on behalf of such Shareholder, any and all cheques or other instruments representing any Distributions payable to or to the order of, or endorsed in favour of, such Shareholder; and
- (d) to exercise any other rights of a Shareholder with respect to such Purchased Securities, all as set out in the Letter of Transmittal.

## **9. Take-Up and Payment for Deposited Common Shares**

In accordance with the terms of the Support Agreement, subject to Section 1.1(d) thereof (as described in the second paragraph in Section 4 of this Notice of Change and Variation, "*Support Agreement – Summary of the Support Agreement – The Offer*"), provided all of the conditions to the Offer shall have been satisfied or waived, the Offeror shall take up and pay for all the Common Shares deposited under the Offer as soon as reasonably possible and in any event not later than three business days following the time at which the Offeror becomes entitled to take up such Common Shares under the Offer pursuant to applicable Laws. In all other respects, the Offeror will take up and pay for Common Shares validly deposited under the Offer and not withdrawn in the manner set out in Section 6 of the Original Offer to Purchase, "*Take-Up and Payment for Deposited Common Shares*".

## **10. Withdrawal of Deposited Common Shares**

Applicable securities Laws provide that Shareholders may withdraw Common Shares deposited under the Offer at any time before the expiration of the date that is 10 days from the date of this Notice of Change and Variation, being 11:59 p.m. (Toronto time) on September 22, 2018.

Shareholders have the right to withdraw Common Shares deposited under the Offer under the circumstances and in the manner set out in Section 7 of the Original Offer to Purchase, "*Withdrawal of Deposited Common Shares*".

## **11. Amendments and Variations to Offer Documents**

The Offer Documents shall be read together with this Notice of Change and Variation in order to give effect to the amendments and variations to the Offer Documents set out herein.

## **12. Offerees' Statutory Rights**

Securities legislation of the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to the Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

Such rights may in certain cases need to be exercised through CDS on behalf of a Shareholder. Shareholders should accordingly also contact their Intermediary for assistance as required.

## **13. Directors' Approval**

The contents of this Notice of Change and Variation have been approved, and the sending thereof to the Shareholders and the holders of Convertible Securities has been authorized, by the Velvet Board.

**CERTIFICATE OF VELVET ENERGY LTD.**

The Original Offer to Purchase and Circular, as amended by the foregoing, contains no untrue statement of a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made

DATED: September 12, 2018.

"Ken Woolner"  
President and Chief Executive Officer

"Christopher Theal"  
Chief Financial Officer

On behalf of the board of directors

"Harvey Doerr"  
Director

"Vincent Chahley"  
Director

**The Depositary and Information Agent for the Offer is:**



**KINGSDALE** Advisors

Kingsdale Advisors  
The Exchange Tower  
130 King St W, Suite #2950  
Toronto, ON M5X 1K6

North America Toll-Free: 1-866-879-7650  
Outside North America: 1-416-867-2272  
Email: [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com)

**Questions and requests for assistance may be directed to the Depositary and Information Agent at the telephone numbers and locations set out above. To keep current with further developments and information about the Offer, visit [www.VelvetEnergy.ca/IronBridgeOffer](http://www.VelvetEnergy.ca/IronBridgeOffer).**