

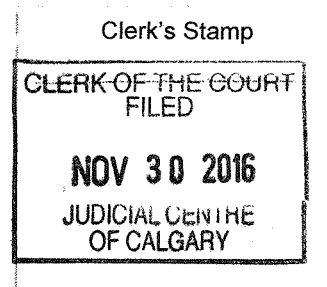
Form 49
[Rule 13.19]

COURT FILE NUMBER 1601 06765

COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

PLAINTIFF(S) IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c. C-36, as amended

AND IN THE MATTER OF ENDURANCE ENERGY LTD.



DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Thornton Grout Finnigan LLP
100 Wellington Street West, Suite 3200
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Attention: Robert I. Thornton / Leanne Williams / Rachel Bengino
File No: 1751-001

AFFIDAVIT OF STEVEN VANSICKLE

Sworn (or Affirmed) on November 30, 2016

I, Steven VanSickle, of Calgary, Alberta, SWEAR/AFFIRM AND SAY THAT:

- I am the acting Chief Executive Officer of Endurance Energy Ltd. ("**Endurance**" or the "**Applicant**"). Through my involvement with the Applicant, I have knowledge of the matters to which I hereinafter depose. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe such information to be true.

2. The purpose of this Affidavit is to support the relief requested by the Applicant for Orders, *inter alia*:
 - (a) approving a further interim distribution to Canadian Imperial Bank of Commerce (the “**Agent**”), in its capacity as the Administrative Agent to a syndicate of lenders (collectively, the “**Lenders**”) in the amount of \$25 million;
 - (b) discharging and extinguishing the Administration Charge; and
 - (c) transitioning the process, if and when necessary, from being led by the Applicant to being led by the Monitor upon the filing of a certificate of the Monitor (the “**Monitor’s Transition Certificate**”).

BACKGROUND

3. As described in my affidavit sworn in support of the Initial Order (as defined below) (the “**Initial Affidavit**”) and supplementary affidavit sworn on June 6, 2016, the Applicant was engaged in the business of oil and natural gas exploration, development and production. Endurance was experiencing serious liquidity needs and required immediate and continued funding in order to conduct the Sale Process (as defined below) in an attempt to sell substantially all of the assets of Endurance as a going concern for the general benefit of its stakeholders or, in the alternative, complete a safe and proper shutdown of its operations.
4. Any capitalized terms not otherwise defined herein have the meaning attributed to them in the Initial Affidavit or the Amended and Restated Initial Order.

5. On May 30, 2016, Endurance was granted an Order, as amended and restated (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (the “**CCAA**”) for relief including, *inter alia*, (i) a stay of proceedings until June 29, 2016 (the “**Stay of Proceedings**”), (ii) the appointment of FTI Consulting Canada Inc. as Monitor (the “**Monitor**”), and (iii) approving certain charges including the Administration Charge and the Directors’ Charge (as defined in the Amended and Restated Initial Order).
6. Also on May 30, 2016, this Court granted an Order approving a sale process in respect of the assets of the Applicant, which was subsequently revised by way of further Court Order on June 22, 2016 (the “**Sale Process**”). The Sale Process resulted in the successful completion of the sale of the Applicant’s assets located in British Columbia, Alberta and Saskatchewan.
7. The Initial Order was amended and restated on June 21, 2016 (the “**Amended and Restated Initial Order**”).
8. On November 21, 2016, this Court granted an Order extending the Stay of Proceedings until January 31, 2017 and an interim distribution to the Lenders of \$100 million (the “**Interim Distribution and Stay Extension Order**”). Pursuant to the Claims Procedure Order dated November 21, 2016, the Monitor commenced a process to determine if there are any claims against the Directors’ Charge (the “**Claims Procedure**”). A copy of the Interim Distribution and Stay Extension Order is attached as Exhibit “A”.
9. The Applicant is now in a position to make a further distribution to the Lenders as a result of the collection of certain funds and the certainty of the Lenders’ security position.

PROPOSED INTERIM DISTRIBUTION

10. Prior to the interim distribution to the Lenders of \$100 million directed by the Interim Distribution and Stay Extension Order, Endurance was indebted to the Lenders in the amount of \$196,036,747 under the terms of the credit agreement dated June 27, 2013, as amended and restated, among the Applicant and the Lenders (the “**Credit Agreement**”).
11. As outlined in the Ninth Report of the Monitor dated November 15, 2016, counsel to the Monitor provided an opinion on the security granted by the Applicant to the Lenders under the laws of Alberta and British Columbia. The Monitor and its counsel determined that it was not necessary or practical to obtain an opinion regarding the laws of Saskatchewan, given the value of Endurance's Saskatchewan assets.
12. Because the Applicant operated approximately 900 wells, it was not practical or cost effective to search title to each of these properties. After sufficient inquiries and to my knowledge, no creditor has claimed a greater priority than the Lenders in respect of any of the Applicant's assets. Out of an abundance of caution, the Monitor published a notice in the *Calgary Herald* on November 11, 2016 and in the *Globe and Mail* (National Edition) on November 14, 2016, to provide the public and specifically any potential creditor not on the service list, with notice of the proposed interim distribution. The Applicant has not been advised of any party asserting a claim in priority to the Lenders.
13. The Applicant proposes to make a further interim distribution to the Agent, in the amount of \$25 million to be distributed to the Lenders in partial satisfaction of the indebtedness of the Applicant to the Lenders.

14. The proposed interim distribution will leave a reserve sufficient to complete the winding up of the Applicant's estate and to deal with any claims arising from the Claims Procedure.

TRANSITION OF POWERS

15. Subsequent to the closing of the sale of the Applicant's assets, the employees of the Applicant were terminated and the directors, with the exception of myself, resigned. Certain employees of the Applicant, including myself, have been rehired on a short-term basis to assist with finalizing the Applicant's estate. It is anticipated that the Applicant will assign itself into bankruptcy at the conclusion of these proceedings.
16. The Syndicate has requested that, when it is appropriate to do so, these proceedings be transitioned from being directed by the Applicant, to being directed by the Monitor, exercising enhanced powers. The Applicant agrees that this transition may be appropriate at a certain point in time during the wind-down of these proceedings, and recognizes that such a transition will reduce the costs being ultimately borne by the Lenders, who are the sole economic stakeholders. For these reasons, the Applicant is seeking a transition Order which will allow the Monitor, at the appropriate time, to trigger the transition from a company-led process to a Monitor-led process.

TERMINATION OF ADMINISTRATION CHARGE

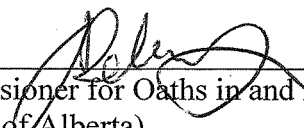
17. The Monitor, the Monitor's counsel, the Applicant's counsel and the Lenders' counsel, being the remaining parties secured by the Administration Charge, have determined that the charge is no longer required. The Monitor, the Monitor's counsel and the Applicant's

counsel continue to maintain retainers as security for their fees in accordance with the Amended and Restated Initial Order.

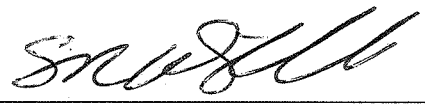
PURPOSE OF THE AFFIDAVIT

18. I hereby swear this Affidavit in support of the relief sought herein and for no other or improper purpose.

SWORN (OR AFFIRMED) BEFORE ME at Calgary, Alberta, this 30th day of November, 2016.



(Commissioner for Oaths in and for the Province of Alberta)



(Signature)

PRINT NAME AND EXPIRY/LAWYER /STUDENT-AT-LAW

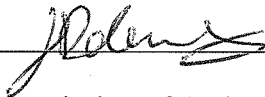
STEVEN A. VANSICKLE

(Print Name)

James Michael Delaney
A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

James Michael Delaney
Student-at-Law

This is Exhibit "A" referred to in the affidavit of Steven VanSickle sworn before me on
November 14, 2016.



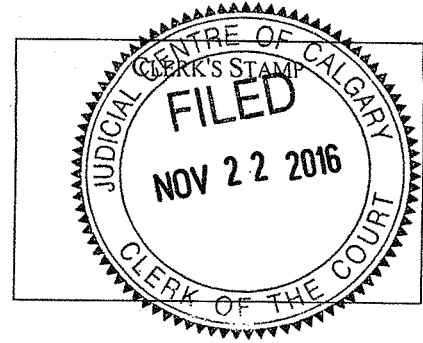
A Commissioner of Oaths for
the Province of Alberta

PRINT NAME AND EXPIRY/LAWYER
/STUDENT-AT-LAW

James Michael Delaney
A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

James Michael Delaney
Student-at-Law

I hereby certify this to be a true copy of
the original Order
dated this 22 day of Nov. 2016
[Signature]
for Clerk of the Court



COURT FILE NUMBER 1601-06765
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,
c. C-36, as amended

AND IN THE MATTER OF ENDURANCE
ENERGY LTD.

DOCUMENT

INTERIM DISTRIBUTION AND STAY
EXTENSION ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Thornton Grout Finnigan LLP
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CANADA

Phone: (416) 304-1616
Fax: (416) 304-1313

**Attention: Robert I. Thornton /
Leanne Williams / Rachel Bengino**

Client File No: 1751-001

DATE ON WHICH ORDER WAS PRONOUNCED: November 21, 2016

LOCATION OF HEARING OR TRIAL: Calgary Courts Centre

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Mr. Justice Jones

UPON THE APPLICATION of Endurance Energy Ltd. ("**Endurance**") filed November 14, 2016 (the "**Application**"); **AND UPON** reading the pleadings and proceedings filed herein; **AND UPON** hearing the submissions of counsel for Endurance, and the other parties present;

IT IS HEREBY ORDERED AND DECLARED THAT:**SERVICE**

1. Service of the Notice of Application for this Order is hereby validated and deemed good and sufficient, this application is properly returnable today, and no person other than those persons served is entitled to service of the Notice of Application.

DEFINITIONS AND INTERPRETATION

2. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein shall be as defined in the Affidavit of Steven VanSickle, sworn November 14 2016, and that the following terms shall have the following meanings for the purpose of this Order:

- (a) **“Approval and Vesting Order”** means the Order of the Honourable Mr. Justice Macleod dated September 27, 2016;
- (b) **“Credit Facility”** means the senior secured credit facility pursuant to a credit facility agreement dated June 27, 2013 between Canadian Imperial Bank of Commerce, as Administrative Agent to the Lenders and Endurance, as amended from time to time;
- (c) **“Initial Order”** means the Initial Order of the Honourable Madam Justice Horner made May 30, 2016 in these CCAA Proceedings, as amended and restated from time to time;
- (d) **“Lenders”** means the syndicate of lenders that granted the Credit Facility;
- (e) **“Monitor”** means FTI Consulting Canada Inc. in its capacity as Court-appointed Monitor of Endurance; and
- (f) **“Sale Transactions”** means collectively the Alta/SK Transaction and BC Transaction; and

DISTRIBUTION

3. **THIS COURT ORDERS** that as a result of the closing of the sale transactions approved pursuant to the Approval and Vesting Order, the Applicant is authorized, directed and empowered to make a distribution from the proceeds thereof in the amount of \$100,000,000 in partial satisfaction of the amounts owing to the Lenders under the Credit Facility (the “**Lenders Distribution**”).

4. **THIS COURT ORDERS** that the Applicant is hereby authorized, directed and empowered to take any further steps that it deems necessary or desirable to complete the Lenders Distribution described in paragraph 3, above.

5. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such application; and
- (c) any assignment in bankruptcy made in respect of the Applicant,

the Lenders Distribution shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall they constitute nor be deemed to be fraudulent preferences, assignments, fraudulent conveyances, transfers at undervalue, or other reviewable transactions under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation, and shall, upon the receipt thereof by the Lenders be free of all claims, liens, security interests, charges or other encumbrances granted by or relating to the Applicant.

EXTINGUISHMENT/AMENDMENT OF CHARGES

6. **THIS COURT ORDERS** that the Interim Lender’s Charge (as defined in the Initial Order) is hereby discharged and extinguished.

7. **THIS COURT ORDERS** that the KERP and KEIP Charge (as defined in the Order dated August 2, 2016) is hereby discharged and extinguished.

8. **THIS COURT ORDERS** that the Administration Charge (as defined in the Initial Order) is hereby reduced to \$500,000.

STAY EXTENSION

9. **THIS COURT ORDERS** that the Stay Period as ordered and defined in paragraph 13 of the Initial Order, as amended, is hereby extended until and including January 31, 2016.

MISCELLANEOUS

10. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, or abroad, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

"C.M. JONES"

J.C.Q.B.A. or Clerk of the Court