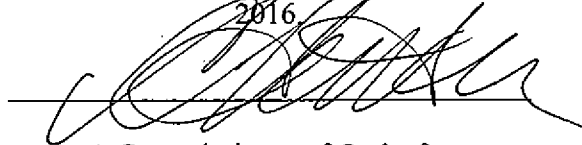


This is Exhibit "D" referred to in the affidavit of Steven VanSickle sworn before me on May 30,  
2016,

A handwritten signature in black ink, appearing to read "Carole J. Hunter", written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

**CAROLE J. HUNTER**

---

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

**ENDURANCE ENERGY LTD.**  
**as Borrower**

**- and -**

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

**- and -**

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

**- with -**

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

**- and with -**

**BANK OF MONTREAL  
as Syndication Agent**

**CREDIT AGREEMENT**

**Dated as of June 27, 2013**

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**CREDIT AGREEMENT**

**THIS AGREEMENT** is dated as of June 27, 2013,

**BETWEEN:**

**ENDURANCE ENERGY LTD.**  
as Borrower

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

- with -

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

- and with -

**BANK OF MONTREAL  
as Syndication Agent**

**PREAMBLE:**

The Borrower has requested and the Lenders have agreed to provide the senior secured revolving credit facilities described herein on terms and conditions and for the purposes set out in this Agreement and CIBC has agreed to act as Agent for the Lenders.

**AGREEMENT:**

In consideration of the covenants and agreements between the Parties contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions.**

Capitalized words and phrases used in the Loan Documents, the Schedules hereto and in all notices and communications expressed to be made pursuant to this Agreement will have the meanings set out in Schedule A, unless otherwise defined in any of the other Loan Documents.

**1.2 Headings.**

Headings, subheadings and the table of contents contained in this Agreement are inserted for convenience of reference only, and will not affect the construction or interpretation of this Agreement.

**1.3 Subdivisions.**

Unless otherwise stated, reference herein to a Schedule or to an Article, Section, paragraph or other subdivision is a reference to such Schedule to this Agreement or such Article, Section, paragraph or other subdivision of this Agreement. Unless specified otherwise, reference in Schedule A to a Schedule or to an Article, Section, paragraph or other subdivision is a reference to such Schedule or Article, Section, paragraph or other subdivision of this Agreement.

**1.4 Number.**

Wherever the context in the Loan Documents so requires, a term used herein importing the singular will also include the plural and vice versa.

**1.5 Statutes, Regulations and Rules.**

Any reference in the Loan Documents to all or any section or paragraph or any other subdivision of any Law will, unless otherwise expressly stated, be a reference to that Law or the relevant section or paragraph or other subdivision thereof, as such Law may be amended, substituted, replaced or re-enacted from time to time.

**1.6 Permitted Encumbrances.**

Any reference in any of the Loan Documents to a Permitted Encumbrance is not intended to and will not be interpreted as subordinating or postponing, or as any agreement to subordinate or postpone, any obligation of any Loan Party to the Lenders under any of the Loan Documents to any Permitted Encumbrance.

**1.7 Monetary References.**

Whenever an amount of money is referred to in the Loan Documents, such amount will, unless otherwise expressly stated, be in Canadian Dollars.

**1.8 Time.**

Time will be of the essence of the Loan Documents.

**1.9 Governing Law.**

This Agreement and the other Loan Documents will be governed by and construed in accordance with the Law in force in the Province of Alberta from time to time.

**1.10 Enurement.**

The Loan Documents will be binding upon and will enure to the benefit of the Parties and their respective successors and permitted assigns.

**1.11 Amendments.**

No Document may be amended orally and, subject to Sections 1.12(a), 19.15 and 20.1(e), any amendment may only be made by way of an instrument in writing signed by the Parties.

**1.12 No Waiver.**

- (a) No waiver by a Party of any provision or of the breach of any provision of the Loan Documents will be effective unless it is contained in a written instrument duly executed by an authorized officer or representative of such Party. Such written waiver will affect only the matter specifically identified in the instrument granting the waiver and will not extend to any other matter, provision or breach.
- (b) The failure of a Party to take any steps in exercising any right in respect of the breach or non-fulfilment of any provision of the Loan Documents will not operate as a waiver of that right, breach or provision, nor will any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in Law or otherwise.
- (c) Acceptance of payment by a Party after a breach or non-fulfilment of any provision of the Loan Documents requiring a payment to such Party will constitute a waiver of such provision if cured by such payment, but will not constitute a waiver or cure of any other provision of the Loan Documents.

**1.13 Severability.**

If the whole or any portion of this Agreement or the application thereof to any circumstance will be held invalid or unenforceable to an extent that does not affect the operation of this Agreement in question in a fundamental way, the remainder of this Agreement in question, or its application

to any circumstance other than that to which it has been held invalid or unenforceable, will not be affected thereby and will be valid and enforceable to the fullest extent permitted by applicable Law.

**1.14 Inconsistency.**

To the extent that there is any inconsistency or ambiguity between the provisions of this Agreement and any other Loan Document, the provisions of this Agreement will govern to the extent necessary to eliminate such inconsistency or ambiguity.

**1.15 Accounting Terms and Principles.**

Except as otherwise expressly provided, all accounting terms, principles and calculations applicable to the Credit Facilities will be interpreted, applied and calculated, as the case may be, in accordance with GAAP. The basis of accounting and all calculations set out in this Agreement will be applied and made on a consistent basis and will not be changed for the purposes of this Agreement unless required by GAAP or as agreed to by the Lenders in writing, such agreement not to be unreasonably withheld. It will be reasonable for the Lenders to withhold their consent if a proposed change could adversely affect the obligations of the Borrower or rights of the Lenders under the Loan Documents.

**1.16 Changes in GAAP or Accounting Policies.**

- (a) If
  - (i) there occurs a material change in GAAP; or
  - (ii) the Borrower or any Subsidiary, as permitted by GAAP, adopts a material change in an accounting policy in order to more appropriately present events or transactions in its financial statements,

and any such change would require disclosure under GAAP in the consolidated financial statements of the Borrower and would cause an amount required to be determined for the purposes of any financial ratio or any other financial calculation hereunder (each a "**Financial Calculation**") to be materially different than the amount that would be determined without giving effect to such change, the Borrower shall notify the Agent of such change (an "**Accounting Change**"). Such notice (an "**Accounting Change Notice**") shall describe the nature of the Accounting Change, its effect on the current and immediately prior year's financial statements and state whether the Borrower wishes to revise the method of calculating the Financial Calculation in order that amounts determined after giving effect to such Accounting Change and the revised method of calculating the Financial Calculation will approximate the amount that would be determined without giving effect to such Accounting Change and without giving effect to the revised method of calculating the Financial Calculation. The Accounting Change Notice shall be delivered to the Agent within 90 days after the end of the Fiscal Quarter in which the Accounting Change is implemented or, if such Accounting

Change is implemented in the fourth Fiscal Quarter of any Fiscal Year or in respect of an entire Fiscal Year, within 120 days after the end of such period.

- (b) If, pursuant to the Accounting Change Notice, the Borrower does not indicate that it desires to revise the method of calculating the Financial Calculation, the Agent or the Majority Lenders may within 30 days after receipt of the Accounting Change Notice, notify the Borrower that they wish to revise the method of calculating the Financial Calculation in the manner described above.
- (c) If either the Borrower, the Agent or the Majority Lenders so indicate that they wish to revise the method of calculating the Financial Calculation, the Borrower and the Lenders shall in good faith attempt to agree on a revised method of calculating the Financial Calculation. If, however, within 30 days after receipt of the foregoing notice by the Borrower, the Agent or the Majority Lenders of their desire to revise the method of calculating the Financial Calculation, the Borrower and the Majority Lenders have not reached agreement in writing on such revised method of calculation, such method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change. For greater certainty, if no notice of a desire to revise the method of calculating the Financial Calculation in respect of an Accounting Change is given by either the Borrower, the Agent or the Majority Lenders within the applicable time period described above, then the method of calculating the Financial Calculation shall not be revised in response to such Accounting Change and all amounts to be determined pursuant to the Financial Calculation shall continue to be determined without giving effect to such Accounting Change.
- (d) If a Compliance Certificate is delivered in respect of a Fiscal Quarter or Fiscal Year in which an Accounting Change is implemented without giving effect to any revised method of calculating the Financial Calculation, and subsequently, as provided above, the method of calculating the Financial Calculation is revised in response to such Accounting Change, or the amount to be determined pursuant to the Financial Calculation is to be determined without giving effect to such Accounting Change, the Borrower shall deliver a revised Compliance Certificate. Any Event of Default which arises as a result of the Accounting Change and which is cured by this Section 1.16 shall be deemed never to have occurred.

#### **1.17 Schedules.**

The following are the Schedules which form part of this Agreement:

Schedule A:	Definitions
Schedule B:	Commitments
Schedule C:	Form of Environmental Certificate
Schedule D:	Form of Compliance Certificate
Schedule E:	Form of Request for Offer of Extension
Schedule F:	Form of Notice of Borrowing
Schedule G:	Form of Notice of Rollover or Notice of Conversion or Notice of

Schedule H:	Repayment
Schedule I:	Loan Party Information
Schedule J:	Form of Designation of Restricted Subsidiary
Schedule K:	Form of Assignment
	Existing Swaps

## ARTICLE 2

### CONDITIONS PRECEDENT TO INITIAL ACCOMMODATION

#### 2.1 Conditions Precedent To Initial Accommodation.

This Agreement, and the obligation of the Lenders to make available the initial Accommodation hereunder, will only become effective upon:

- (a) the receipt by the Agent, for and on behalf of the Lenders, of the following documents each in full force and effect, and in form and substance satisfactory to the Lenders, acting reasonably:
  - (i) an executed copy of this Agreement;
  - (ii) executed copies of the Closing Certificate, together with all attachments thereto, including a copy of the Acquisition Agreement;
  - (iii) a certificate of status dated on or about the Closing Date in respect of the Borrower under the Laws of Alberta;
  - (iv) an executed Notice of Borrowing and direction to pay addressed to the Agent in respect of the payment of the remaining purchase price under the Acquisition Agreement;
  - (v) cancellation of, and a release and undertaking to discharge all security and obligations from Canadian Imperial Bank of Commerce under, the financing commitment dated May 14, 2013 between the Borrower and Canadian Imperial Bank of Commerce;
  - (vi) an executed copy of the Security and evidence of the registration, filing and recording of the Security in all applicable offices or places of registration;
  - (vii) evidence that the Borrower has in full force and effect such policies of insurance in such amounts issued by such insurers of recognized standing covering the property of the Borrower as required by Section 13.1(i);
  - (viii) an executed copy of an Environmental Certificate;

- (ix) an executed copy of an oil and gas title certificate in respect of the Borrowing Base Properties;
  - (x) an executed copy of the Closing Opinion;
  - (xi) an executed copy of an opinion from Lenders' counsel; and
  - (xii) an agency fee agreement between the Agent and the Borrower;
- (b) receipt by the Agent and the Lenders of the following (each of which shall be in form and substance satisfactory to the Lenders):
- (i) any information, including supporting documentation and other evidence, requested by any Lender or the Agent, each acting reasonably, pursuant to Section 20.12;
  - (ii) satisfactory evidence that (A) no less than \$160,000,000 of new equity that has been contributed to the Borrower (including the portion of the WP Investments Note that is converted into equity) will be available to the Borrower for the purpose of financing a portion of the purchase price under the Acquisition Agreement, (B) no less than \$225,000,000 in committed equity line agreements will be available to the Borrower for the purpose of financing a portion of such purchase price, (C) the Borrower has not granted any consent or made any determination under section 9.02(d) of the Acquisition Agreement, (D) all governmental, shareholder and regulatory approvals and third Person consents, if any, required in connection with the closing of the acquisition set out in the Acquisition Agreement have been obtained, and (E) all conditions precedent to the Acquisition Agreement (other than the payment of the purchase price thereof) have been satisfied without any waiver of any such condition which is material to the interests of the Lenders and all representations made by either Vendor thereunder shall be true and correct; and
  - (iii) the Borrower's quarterly financial statements for the period ending March 31, 2013;
- (c) the payment of all fees and expenses which are payable by the Borrower to the Agent and the Lenders, as the case may be, in connection with the execution and delivery of this Agreement, including the Closing Date Fees;
- (d) no Default or Event of Default shall have occurred or shall occur as a result of the execution and delivery of the Loan Documents and the Borrower shall have certified the same in the Closing Certificate, provided that the breach of representations and warranties which are not Specified Representations shall not constitute a Default or Event of Default for purposes of this Section 2.1(d); and
- (e) each of the Specified Representations shall be true and correct and the Borrower shall have certified the same in the Closing Certificate.

**ARTICLE 3**  
**CREDIT FACILITIES**

**3.1            Syndicated Facility.**

Subject to the terms and conditions hereof and effective on the Closing Date, the Syndicated Facility Lenders hereby establish the Syndicated Facility in favour of the Borrower as an extendible revolving credit facility. Accommodations under the Syndicated Facility may be drawn down by the Borrower in Canadian Dollars, or the Canadian Dollar Exchange Equivalent thereof in U.S. Dollars, or any combination thereof, to a maximum of the Syndicated Facility Commitment Amount. The Individual Syndicated Facility Commitment Amount of each of the Syndicated Facility Lenders is set out in Schedule B.

**3.2            Operating Facility.**

Subject to the terms and conditions hereof and effective on the Closing Date, the Operating Lender hereby establishes the Operating Facility in favour of the Borrower. Accommodations under the Operating Facility may be drawn down by the Borrower in Canadian Dollars or the Canadian Dollar Exchange Equivalent thereof in U.S. Dollars, or any combination thereof, to a maximum of the Operating Facility Commitment Amount.

**3.3            Extension of Termination Date.**

- (a) Notice by Borrower. The Borrower may, at its option and provided that no Default or Event of Default exists at such time, request an extension of the then current Termination Date (an "Extension") not less than 60 days or more than 90 days before any Anniversary Date (each a "Request Period"), provided that following the granting of such Extension, the term to maturity of the Credit Facilities shall not exceed three years. The Agent will promptly after receipt thereof, provide a copy of the Request for Offer of Extension to each of the Lenders. If the Borrower does not make a Request for Offer of Extension within the Request Period, then, unless otherwise agreed to by the Majority Lenders, the Borrower will not be able to request an extension of the Termination Date as herein provided until the next Request Period applicable to the next Anniversary Date and, unless so extended, the Credit Facilities will continue until the then current Termination Date with each Lender's Individual Commitment Amount remaining available for Drawdown during such time.
- (b) Agreeing and Non-Agreeing Lenders. Each Lender may in its sole discretion, pursuant to a Request for Offer of Extension, elect to extend the current Termination Date with respect to its Individual Commitment Amount, subject however to such conditions and amendments respecting the Credit Facilities, if any, as the Lenders agree and which are acceptable to the Borrower. Each Lender will make its election by notice to the Agent on or before the 30th day prior to the applicable Anniversary Date (or such other later date prior to such Anniversary Date as may be agreed to by the Majority Lenders) (the "Election Period"). Each



Lender which grants an Extension is referred to herein as an "Agreeing Lender", and each Lender which elects not to grant an Extension, or fails to make such election within the Election Period, is referred to herein as a "Non-Agreeing Lender".

- (c) No Extension. No Extension shall occur unless those Lenders who wish to grant an Extension pursuant to a Request for Offer of Extension represent at least 66 $\frac{2}{3}$ % of the aggregate Individual Commitment Amounts of all Lenders who are not Non-Agreeing Lenders at the time of such Request for Offer of Extension. If no Extension occurs, the then current Termination Date of the Lenders who are not already Non-Agreeing Lenders will, subject to Section 3.3(e), continue for each such Lender and each such Lender's Individual Commitment Amount will remain available for Drawdown hereunder until the Termination Date; provided that the Borrower may again make a Request for Offer of Extension during the Request Period applicable to the next Anniversary Date in accordance with Section 3.3(a).
- (d) Extension Notice. Promptly after the expiry of the Election Period, the Agent will notify the Borrower of the decision of the Lenders with respect to their Request for Offer of Extension (the "Extension Notice"). The Extension Notice will identify the Agreeing Lenders and Non-Agreeing Lenders, and a list of the conditions or amendments, if any, respecting the Credit Facilities as the Lenders have agreed upon as a condition to the granting of the Extension. The Borrower will, within 20 days of receipt of the Extension Notice from the Agent (or such other period of time as may be agreed to by the Majority Lenders), notify the Agent as to its acceptance or rejection of the conditions or amendments, if any, stipulated by the Lenders respecting the Credit Facilities. If the Borrower accepts all such conditions or amendments requested by the Agreeing Lenders as aforesaid, the Termination Date with respect to the Agreeing Lenders will be deemed to have been extended for the period of time set out in the Extension Notice, provided that following the granting of any such Extension, the term to maturity of the Credit Facilities shall not exceed three years and, subject to Section 3.3(e), the Termination Date with respect to the Non-Agreeing Lenders shall not be extended. If the Borrower notifies the Agent that it does not accept such conditions or amendments or it fails to notify the Agent within the time provided above for acceptance, the Termination Date will not be extended as herein provided and will continue until the then current Termination Date with each Lender's Individual Commitment Amount remaining available for Drawdown until the then current Termination Date; provided that the Borrower may again make a Request for Offer of Extension during the Request Period applicable to the next Anniversary Date in accordance with Section 3.3(a).
- (e) Replacement of Non-Agreeing Lender. Notwithstanding anything else set forth herein and provided that Lenders representing more than 66 $\frac{2}{3}$ % of the aggregate Individual Commitment Amounts of all Lenders have elected to grant an Extension, the Borrower will be entitled to exercise one of the following options, with respect to any Lender who has become a Non-Agreeing Lender, prior to the

Termination Date applicable to such Non-Agreeing Lender (and provided that if there is more than one Non-Agreeing Lender, each such Non-Agreeing Lender is treated in the same manner as each such other Non-Agreeing Lender):

- (i) so long as no Default or Event of Default exists at the time and if after giving effect to the repayment described below the Aggregate Principal Amount would remain less than the lower of the Commitment Amount and the Borrowing Base at such time, the Borrower may repay in full the Aggregate Principal Amount owing to such Non-Agreeing Lender, together with all accrued but unpaid interest and fees thereon and any expenses, breakage and other costs determined in accordance with Section 8.2 and including cash collateralization in full of any contingent obligations in respect of any outstanding Letters of Credit for which the Non-Agreeing Lender is the Operating Lender, provided that a Bankers' Acceptance will not be paid prior to its Maturity Date (but provided that the Borrower may provide Escrow Funds in respect thereof to the Agent on behalf of such Lender in accordance with Section 9.5), and upon such payment such Non-Agreeing Lender's Individual Commitment Amount will be permanently cancelled in accordance herewith; or
- (ii) the Borrower may replace each Non-Agreeing Lender with one or more financial institutions (which may be one or more of the Lenders) who purchase such Lender's entire Individual Commitment Amount in accordance with Section 18.2.

### 3.4 Maturity Date.

Each Advance made by a Lender will, subject to the other terms and conditions of this Agreement, including Section 16.2, have a Maturity Date which expires on or prior to the Termination Date applicable to such Lender.

### 3.5 Repayment.

- (a) Revolving Nature. The Borrower may borrow, repay and re-borrow Advances under the Credit Facilities until the Termination Date, subject to Sections 3.1 and 3.2.
- (b) Borrowing Base Shortfall. If at any time there occurs a Borrowing Base Shortfall, the Agent may, at the direction of the Majority Lenders, deliver to the Borrower a notice setting out the amount of the Borrowing Base Shortfall (the "**Shortfall Notice**"). Upon receipt of the Shortfall Notice, the Borrower will do one of the following or a combination thereof:
  - (i) reduce the Obligations under the Credit Facilities by the amount of the Borrowing Base Shortfall within 90 days of receipt of the Shortfall Notice, with the proceeds of such reduction to be paid to the Syndicated Facility Lenders and the Operating Lender on a *pro rata* basis based on the

Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount of each such Credit Facility;

- (ii) eliminate the Borrowing Base Shortfall by providing in favour of the Agent for and on behalf of the Lenders and the Swap Lenders additional security, such security to be in form and substance acceptable to the Lenders, acting reasonably, and to be delivered by the Borrower to the Agent for and on behalf of the Lenders within 90 days of receipt of the Shortfall Notice; or
- (iii) eliminate the Borrowing Base Shortfall within 90 days of receipt of the Shortfall Notice by such other means as are acceptable to the Lenders, including adding additional P&NG Rights acceptable to the Lenders, acting reasonably, to the Borrowing Base Properties or by making a prepayment in accordance with Section 3.5(b)(i).

Notwithstanding the foregoing provisions of this Section 3.5(b), nothing herein contained will affect or modify any other rights of the Lenders under the Loan Documents or any other obligations of the Borrower thereunder.

- (c) Effect of Borrowing Base Shortfall. If a Shortfall Notice is given, then unless and until the Borrowing Base Shortfall is eliminated as required by Section 3.5(b), the Borrower will:
  - (i) not request Advances under any Credit Facility, except for the Rollover or Conversion of a then maturing Advance, provided the Maturity Date of such maturing Advances following their Conversion or Rollover, as the case may be, does not exceed the earlier of:
    - (A) one month from such date; and
    - (B) the date which is 90 days after delivery of the Shortfall Notice;
  - (ii) provide to the Agent, for the benefit of the Lenders, such information available to it to assist in determining the forecasted Available Cash Flow over the anticipated period of the Borrowing Base Shortfall;
  - (iii) not dispose or permit the disposition of any Borrowing Base Property except: (A) pursuant to paragraphs (a), (b), (c), (d) and (g) of the definition of Permitted Dispositions; (B) for fair market value provided that, contemporaneously with such disposition, the Borrower applies the Net Cash Proceeds thereof to prepay the Aggregate Principal Amount in an amount equal to the lesser of (I) the amount sufficient to eliminate such Borrowing Base Shortfall and (II) all Net Cash Proceeds of such dispositions; or (C) as otherwise agreed to by the Majority Lenders; and
  - (iv) pay the increased compensation required under Section 3.9(d).

- (d) Dedication of Available Cash Flow. Following receipt of a Shortfall Notice and until the Borrowing Base Shortfall described therein is eliminated, the Borrower will dedicate on a monthly basis to the Aggregate Principal Amount of the Credit Facilities all Available Cash Flow to eliminate as soon as possible, and in any event within 90 days, the Borrowing Base Shortfall, such monthly deductions to be apportioned between the Aggregate Principal Amount under the Credit Facilities in accordance with the priorities set out in Section 3.5(b)(i). The first such monthly deduction will take place no later than 30 days after the Shortfall Notice is delivered and further repayments will be required every 30 days thereafter while a Borrowing Base Shortfall exists.
- (e) Payments to Agent. All payments of the Obligations of the Borrower to the Lenders under the Syndicated Facility will be made by the Borrower to the Agent for the account of the applicable Syndicated Facility Lenders, and, except to the extent otherwise provided herein, in accordance with each such Lender's Rateable Portions thereof, if any. All payments of the Obligations of the Borrower to the Operating Lender under the Operating Facility will be made by the Borrower to the Operating Lender.

### **3.6 Prepayment and Cancellation.**

Upon providing two Banking Days prior written notice to the Agent, the Borrower may at any time prepay (in respect of the Syndicated Facility only, in minimum amounts of Cdn. \$2,000,000 or U.S. \$2,000,000, as applicable, and in multiples of Cdn. \$1,000,000 or U.S. \$1,000,000, as applicable, for any amount in excess thereof) without premium, bonus or penalty, any or all of the Aggregate Principal Amount under any Credit Facility, except that (a) a Bankers' Acceptance will not be paid prior to its Maturity Date (but provided that the Borrower may provide Escrow Funds in respect thereof to the Agent on behalf of the Lenders in accordance with Section 9.5), (b) a LIBOR Based Loan may only be paid prior to its Maturity Date in accordance with Sections 8.2 and 11.2, and (c) any Letter of Credit may only be prepaid if such Letter of Credit is returned to the Operating Lender for cancellation or if it is cash collateralized in accordance with Section 10.8. The Borrower may also, upon the Borrower giving the Agent not less than two Banking Days prior notice, cancel (in minimum amounts of Cdn. \$2,000,000 or U.S. \$2,000,000, as applicable, and in multiples of Cdn. \$1,000,000 or U.S. \$1,000,000, as applicable, for any amount in excess thereof) any undrawn portion of the Syndicated Facility Commitment Amount or the Operating Facility Commitment Amount, as applicable, including any undrawn portion resulting from a prepayment. Any prepayment or cancellation in respect of the Syndicated Facility will be made *pro rata* to all Syndicated Facility Lenders on the basis of each Syndicated Facility Lender's Rateable Portion.

### **3.7 Use of Proceeds.**

- (a) Syndicated Facility. The Borrower will be entitled, subject to the provisions hereof dealing with Hostile Acquisitions, to use the proceeds of the Syndicated Facility for general corporate purposes of the Loan Parties, including the payment of a portion of the purchase price under the Acquisition Agreement and the

exploration, development, production and acquisition of Canadian oil and natural gas reserves in the ordinary course of its business.

- (b) Operating Facility. The Borrower will be entitled to use the proceeds of the Operating Facility for working capital and general corporate purposes of the Loan Parties.

### **3.8 Types of Accommodation.**

The Borrower may from time to time obtain Advances under the Credit Facilities (unless otherwise indicated) by way of:

- (a) Canadian Prime Rate Loans, in principal amounts of not less than Cdn. \$500,000 and in multiples of Cdn. \$100,000 for any amounts in excess thereof (except no such minimum shall apply to overdraft borrowings under the Operating Facility);
- (b) U.S. Base Rate Loans, in principal amounts of not less than U.S. \$500,000 and in multiples of U.S. \$100,000 for any amounts in excess thereof (except no such minimum shall apply to overdraft borrowings under the Operating Facility);
- (c) Bankers Acceptances or BA Equivalent Loans, as applicable;
- (d) under the Syndicated Facility only, LIBOR Based Loans;
- (e) under the Operating Facility only and subject to Section 10.1(a), Letters of Credit;
- (f) under the Operating Facility only, overdraft borrowings in Canadian Dollars or U.S. Dollars, and
- (g) under the Operating Facility only, a corporate credit card with a maximum limit of Cdn. \$50,000,

(collectively, the "Accommodations").

### **3.9 Interest and Fees.**

- (a) Interest and Fees. Interest and fees payable by the Borrower under the Credit Facilities will be payable in the following manner:
  - (i) each Canadian Prime Rate Loan will bear interest at a variable rate of interest per annum equal to the Canadian Prime Rate plus the applicable margin indicated in the Pricing Table payable monthly in arrears, subject to Section 3.9(d);
  - (ii) each LIBOR Based Loan will bear interest at a rate per annum equal to LIBOR plus the applicable margin indicated in the Pricing Table payable in accordance with Section 7.2(d), subject to Section 3.9(d);

- (iii) for each BA Advance, the stamping fee (the “BA Stamping Fee”) payable by the Borrower on the acceptance thereof by the applicable Lenders will be calculated based upon the applicable BA Stamping Fee indicated in the Pricing Table, subject to Section 3.9(d);
- (iv) each U.S. Base Rate Loan will bear interest at a variable rate of interest per annum equal to the U.S. Base Rate plus the applicable margin indicated in the Pricing Table, payable monthly in arrears, subject to Section 3.9(d);
- (v) the Borrower will pay to the Operating Lender an issuance or renewal fee (the “Letter of Credit Fee”) in respect of each Letter of Credit issued hereunder at the applicable rate indicated in the Pricing Table, subject to Section 3.9(d), together with all other customary administrative charges in respect thereof; provided that such fee will be in a minimum amount of \$350 in the applicable currency on each issuance or renewal;
- (vi) interest on amounts owing under the corporate credit card provided by the Operating Lender will be charged at the Operating Lender’s standard rates in accordance with its standard practices; and
- (vii) the standby fees payable quarterly in arrears by the Borrower as set forth in Section 3.9(f) will be calculated based upon the applicable standby fee indicated in the Pricing Table.

**Pricing Table**

Level	Consolidated Debt to EBITDA Ratio	Canadian Prime Rate/U.S. Base Rate Margin	BA Stamping Fee/LIBOR Margin/Letter of Credit Fee for Financial Letters of Credit*	Standby Fees
I	≤ 1.00:1	100.0 bps	200.0 bps	50.00 bps
II	> 1.0:1 ≤ 1.50:1	125.0 bps	225.0 bps	56.25 bps
III	> 1.50:1 ≤ 2.00:1	150.0 bps	250.0 bps	62.50 bps
IV	> 2.00:1 ≤ 2.50:1	175.0 bps	275.0 bps	68.75 bps
V	> 2.50:1 ≤ 3.00:1	225.0 bps	325.0 bps	81.25 bps
VI	> 3.00:1	275.0 bps	375.0 bps	93.75 bps

\* Non-Financial Letters of Credit will be issued at 50.0% of the applicable fees stated in the Pricing Table above applicable to Financial Letters of Credit.

On the Closing Date and until a Compliance Certificate for the Fiscal Quarter ending September 30, 2013 is delivered in accordance with the terms hereof, the Consolidated Debt to EBITDA Ratio will be deemed to be at Level IV of the Pricing Table.

- (b) Changes in Rates due to Change in Ratio. The effective date on which any change in interest rates, BA Stamping Fees, Letter of Credit Fees or standby fees occurs will be the first day of the calendar month immediately following the earlier of: (i) the date the Borrower delivers to the Agent the Compliance Certificate as required hereunder which evidences a change in the pricing level in the Pricing Table as a result of a change in the Consolidated Debt to EBITDA Ratio; and (ii) the date such Compliance Certificate is due in accordance with Section 13.2(b), provided that if such Compliance Certificate is not so delivered when required, then the applicable interest rates and fees shall be those set forth in Level VI of the Pricing Table effective the date such Compliance Certificate was otherwise due until such time as the Compliance Certificate is delivered. Any increase or decrease in: (x) the interest rates on LIBOR Based Loans outstanding on the effective date of a change in the aforesaid rates and fees will apply proportionately to each such LIBOR Based Loan outstanding on the basis of the number of days remaining in the term to maturity thereof; (y) the BA Stamping Fees on BA Advances outstanding on the effective date of a change in the aforesaid rates and fees will apply for new BA Advances issued after such effective date or on any Rollover of an existing BA Advance but otherwise the BA Stamping Fees on any BA Advance existing at such effective date will not change until the Maturity Date thereof; and (z) the Letters of Credit Fees outstanding on the effective date of a change in the aforesaid rates and fees will apply for new Letters of Credit issued or renewed after such effective date such that Letter of Credit Fee on any such existing Letter of Credit will not change until the maturity or renewal thereof.
- (c) Restatement of Ratio. If the Borrower has delivered a Compliance Certificate that is subsequently found to be inaccurate in any way as a result of the Borrower's financial results having to be restated or if the Borrower's financial results were inaccurately reflected in the original financial results on which such Compliance Certificate was based or for any other reason and the result thereof is that the Consolidated Debt to EBITDA Ratio was originally reported as lower (and the corresponding Level in the Pricing Table was lower) than it otherwise would have been in the absence of such inaccuracy or prior to such restatement, then the Borrower will, immediately upon the correction of such inaccuracy or upon such restatement, pay to the Agent for the benefit of the applicable Lenders an amount equal to the interest, BA Stamping Fees in respect of BA Advances and standby fees that the Lenders should have received, but did not receive, over the applicable period had the Consolidated Debt to EBITDA Ratio, and the underlying components thereof, been reported correctly in the first instance.
- (d) Event of Default. Effective upon the occurrence of an Event of Default or a Borrowing Base Shortfall (the "Effective Date"), the interest rates then applicable to Canadian Prime Rate Loans, LIBOR Based Loans, U.S. Base Rate Loans, and BA Stamping Fees will each increase by 200 Basis Points and such increase will remain in effect for as long as such Event of Default or Borrowing Base Shortfall subsists. An increase in interest rates and fees as aforesaid arising from an Event of Default or Borrowing Base Shortfall shall apply to all outstanding Advances

under the Credit Facilities and will on the Effective Date apply proportionately to each outstanding Advance on the basis of the number of days remaining in the term to maturity of such Advance. The Borrower will pay to the Agent on behalf of the Lenders any resulting increase in BA Stamping Fees and Letter of Credit Fees on or prior to the third Banking Day following the Effective Date. In addition to the conditions set forth above, the Lenders' obligation to provide any new Advances under the Credit Facilities will be suspended for as long as there exists a Default, Event of Default or Borrowing Base Shortfall.

- (e) Agency Fee. The Borrower will pay to the Agent, on an annual basis, the agency fee agreed upon between the Borrower and the Agent, the amount thereof to be kept confidential by the Borrower.
- (f) Standby Fee. The Borrower will, effective from and including the Closing Date to and including the Termination Date in respect of the applicable Credit Facility, pay to the Agent for the benefit of the Lender or Lenders under such Credit Facility, a standby fee in Canadian Dollars from time to time equal to the Basis Points set forth in the Pricing Table, calculated on the basis of a 365 or 366 day calendar year, as applicable, multiplied by (i) in respect of the Operating Facility, the Operating Facility Commitment Amount less the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount of the Operating Facility; and (ii) in respect of the Syndicated Facility, the Syndicated Facility Commitment Amount less the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount of the Syndicated Facility. The standby fee will be calculated daily and will be payable quarterly in arrears on the first Banking Day of each calendar quarter for the previous calendar quarter.

### **3.10 Borrowing Base.**

- (a) Borrowing Base. The Borrowing Base as at the Closing Date is \$260,000,000, provided that each Credit Facility is made available by the applicable Lenders in accordance with their respective Individual Commitment Amounts as set forth in Schedule B. Notwithstanding the foregoing, if any rights of first refusal or other preemptive rights are exercised in respect of the assets being acquired under the Acquisition Agreement either before or after the Closing Date and the aggregate value of such assets exceeds Cdn. \$2,000,000, then the Lenders shall have the right to redetermine the Borrowing Base to take that reduced value into account.
- (b) Setting of Borrowing Base. A determination of the Borrowing Base will occur semi-annually on April 30 and October 31 in each year (or any portion thereof) any of the Credit Facilities remain available to the Borrower or any Obligations thereunder remain outstanding (in any such case, the "**Borrowing Base Date**"); provided that, notwithstanding the foregoing, the first Borrowing Base Date after the Closing Date will take place on March 31, 2014 based upon the independent economic and reserve evaluation report provided by the Borrower pursuant to Section 13.2(e)(i). In addition, the Majority Lenders reserve the right to cause a redetermination of the Borrowing Base (i) if the cumulative proceeds of



Borrowing Base Dispositions since the last redetermination of the Borrowing Base exceeds 5% of the then current Borrowing Base, (ii) if an event resulting in a Material Adverse Effect has occurred since the last Borrowing Base determination and (iii) as set out in the last sentence of Section 3.10(a).

- (c) Determination of Borrowing Base. The Borrowing Base will be determined by the Agent in accordance with its usual and customary practices for revolving loans of this nature, provided that any such determination or redetermination will require the consent of all of the Lenders in the case of a confirmation, increase or decrease of the Borrowing Base, and each such Lender, in making any such determination or redetermination, will act in accordance with its usual and customary practices for revolving loans of this nature.
- (d) Notification of Borrowing Base. The Agent will notify the Borrower of the determination of the Borrowing Base on or before each Borrowing Base Date. The Borrowing Base determination will remain in effect until the next redetermination is made as required or permitted herein. The Borrower will cooperate in all respects in providing the Agent, in a timely manner and for the benefit of the Lenders, with such information as may be reasonably required by the Lenders to assist in determining the Borrowing Base within the time period required hereunder. To assist the Lenders in a determination of the Borrowing Base, the Borrower will, while any of the Credit Facilities remain available to the Borrower, provide the Agent, for the benefit of the Lenders, with the materials and documents set forth in Sections 13.2(d) and (e).
- (e) Borrower May Request Redetermination. The Borrower may at any time request a redetermination of the Borrowing Base. Upon such request, the Borrowing Base will be redetermined as soon as reasonably practicable, provided that the Borrower has made available to the Agent, for the benefit of the Lenders, the current information which, in the opinion of the Majority Lenders, acting reasonably, is required to perform such redetermination. The Borrowing Base will be adjusted, if required, effective on the date specified in the notice of same given by the Agent to the Borrower. In connection with any such redetermination, the Agent on behalf of the Lenders will be entitled to charge the Borrower a reasonable "work fee" to be agreed upon between the Borrower and the Agent.
- (f) Meeting with Lenders. The Borrower will meet annually with the Lenders at a time and place mutually acceptable to the Borrower and the Lenders to review and discuss the production profile of the Borrowing Base Properties, and such other matters affecting the Loan Parties' business as the Lenders may request, acting reasonably.
- (g) Increase in the Borrowing Base. The Syndicated Facility Commitment Amount will not as a result of a Borrowing Base redetermination exceed Cdn. \$245,000,000, unless agreed by all of the Syndicated Facility Lenders, provided that, if a Syndicated Facility Lender does not consent to an increase in

the Syndicated Facility Commitment Amount, the Borrower will be entitled to, but need not, either prepay all Obligations owing to the non-consenting Syndicated Facility Lender (subject to all prepayment provisions herein contained) without having to cause a similar prepayment to the then consenting Syndicated Facility Lenders and thereafter cancel such Syndicated Facility Lender's Individual Syndicated Commitment Amount or replace such non-consenting Syndicated Facility Lender with another Lender (which may be an existing Lender) acceptable to the Agent, acting reasonably, provided that such Lender agrees to assume all of the rights and obligations of such non-consenting Lender under this Agreement by delivering to the Agent and the Borrower a duly executed Assignment. The Operating Facility Commitment Amount will not as a result of a Borrowing Base redetermination exceed Cdn. \$15,000,000 without the consent of the Operating Lender.

### **3.11 Swap Facilities.**

Subject to Section 13.3(b), (c) and (d), each Lender, or one of its Affiliates, may enter into Swap Documents with the Borrower; provided that, subject to Section 16.4, all Swap Indebtedness of the Loan Parties shall rank at all times *pari passu* with the Borrower's and the other Loan Parties' Obligations under the Credit Facilities.

## **ARTICLE 4 SECURITY**

### **4.1 Security.**

The present and future Obligations and the Cash Management Obligations of the Borrower and each other Loan Party to the Agent and the Lenders under the Loan Documents, and to the Swap Lenders under all Hedging Agreements between a Swap Lender and any Loan Party (collectively, the "Swap Documents") and all other Obligations of the Borrower and each other Loan Party to the Agent, the Lenders and the Swap Lenders, howsoever arising or incurred hereunder and under the Loan Documents, Cash Management Arrangements and the Swap Documents, as applicable, will be secured by the following (collectively, the "Security"):

- (a) a demand debenture in the amount of Cdn. \$500,000,000 from the Borrower and each other Loan Party providing for a first ranking security interest and floating charge (with a right to fix) over all of the assets and property of each such Loan Party, to be registered in all appropriate jurisdictions;
- (b) a guarantee from each Loan Party other than the Borrower in favour of the Agent on behalf of itself, the Lenders and the Swap Lenders;
- (c) if requested by the Agent, such documents and instruments providing a fixed Lien in accordance with Section 4.6; and
- (d) such further security agreements, deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge as the Lenders may reasonably

request to effectively secure the undertaking, property and assets of the Loan Parties in the manner contemplated in paragraphs (a) through (d) above.

#### 4.2 Sharing of Security.

- (a) The Borrower and the Lenders agree and acknowledge that, subject to Section 16.4, the Security is being shared *pari passu* and equally among the Lenders and the Swap Lenders to secure the Obligations and the Cash Management Obligations of the Loan Parties under the Loan Documents and Permitted Swap Indebtedness on a rateable basis; and that the Agent will hold the Security for the benefit of the Lenders hereunder and the Swap Lenders with respect to all the Permitted Swap Indebtedness. For purposes of the above sentence, "rateable basis" means:
- (i) with respect to the Lenders under a Credit Facility, the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount and other Obligations under such Credit Facility relative to the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount and other Obligations under all Credit Facilities, the Permitted Swap Indebtedness and the Cash Management Obligations;
  - (ii) with respect to the Swap Lenders, the Canadian Dollar Exchange Equivalent of the Permitted Swap Indebtedness relative to the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount and other Obligations under the Credit Facilities, the Permitted Swap Indebtedness and the Cash Management Obligations; and
  - (iii) with respect to the Operating Lender as it relates to the Cash Management Obligations, the Canadian Dollar Exchange Equivalent of the Cash Management Obligations relative to the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount and other Obligations under the Credit Facilities, the Permitted Swap Indebtedness and the Cash Management Obligations.
- (b) If requested by the Lenders or any Swap Lender, the Lenders and the Swap Lenders will enter into such further intercreditor agreements and assurances as may be reasonably requested to further evidence the sharing provisions of this Section 4.2 and Section 16.4. In addition to the *pari passu* sharing provisions referred to above, such further agreements shall incorporate the following principles (which will also apply prior to the entering into of such further agreements):
- (i) any matter or thing done or omitted to be done by a Lender under or in respect of this Agreement, the Security or the other Loan Documents will be binding upon the Swap Lenders and each Lender does hereby indemnify and save the other Lenders and the Agent harmless from any and all claims, demands or actions that a Swap Lender who is an Affiliate

of such Lender may have against the Lenders and the Agent for any matter or thing done or omitted to be done by any of them under and in respect of this Agreement, the Security and the other Loan Documents; and

- (ii) if the Agent accelerates the Obligations pursuant to Section 16.2, each Swap Lender will promptly take all such steps as may be reasonably required to ensure that a Swap Crystallization Event occurs in respect of all of its outstanding Swap Documents.

#### **4.3 Exclusivity of Remedies.**

Nothing herein contained or in the Security now held or hereafter acquired by the Agent and the Lenders, nor any act or omission of the Agent and the Lenders with respect to any such Security, will in any way prejudice or affect the rights, remedies or powers of the Agent and the Lenders with respect to any other security at any time held by the Agent and the Lenders.

#### **4.4 Form of Security.**

The Security will be in such form or forms as will be required by the Agent, acting reasonably, and will be registered in such offices in Canada or any province thereof as the Agent, acting reasonably, may from time to time require to protect the Liens created thereby, provided that the Agent will not register against title to the P&NG Rights, except pursuant to Section 4.6. Should the Agent determine at any time and from time to time, acting reasonably, that the form and nature of the then existing Security is deficient in any way or does not fully provide the Agent, the Lenders or the Swap Lenders with the Liens and priority to which each is entitled hereunder, the Borrower will forthwith execute and deliver or cause to be executed and delivered to the Agent, at the Borrower's expense, such amendments to the Security or provide such new security as the Agent may reasonably request. Without limiting the generality of the foregoing, the Borrower acknowledges that the Security has been prepared based on applicable Laws and the Borrower agrees that the Agent will have the right, acting reasonably, to require that the Security be amended or supplemented: (a) to reflect any changes in applicable Laws, whether arising as a result of statutory amendments, court decisions or otherwise; (b) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions including, if required, pursuant to Section 4.6, a fixed charge registration in respect thereof; or (c) if a Loan Party amalgamates with any other Person or enters into any reorganization, in each case in order to confer upon the Agent the security intended to be created hereby.

#### **4.5 After-Acquired Property.**

All property acquired by or on behalf of the Borrower or any other Loan Party which forms part of the property of the Borrower or any other Loan Party (hereafter collectively referred to as "After-Acquired Property"), will be subject to the Security without any further conveyance, mortgage, pledge, charge, assignment or other act on the part of the Parties and the Borrower or such Loan Party will hold such property in trust for the benefit of the Agent and for the benefit of the Lenders and the Swap Lenders. Without limiting the effect of the preceding sentence, the Borrower will, or will cause the applicable Loan Party to, from time to time execute and deliver and the Agent will register, all at the Borrower's expense, such instruments supplemental to the

Security, in form and substance satisfactory to the Agent, acting reasonably, as may be necessary or desirable to ensure that the Security as amended and supplemented constitutes in favour of the Agent, the Lenders and the Swap Lenders an effective Lien to the extent created by the Security over such After-Acquired Property as required hereunder, subject only to Permitted Encumbrances which under applicable Law rank in priority thereto.

#### **4.6 Undertaking to Grant Fixed Charge Security.**

If the Majority Lenders, acting reasonably, determine that there has been a Material Adverse Effect or a Borrowing Base Shortfall or a Default or Event of Default has occurred and is continuing and the Majority Lenders consider it necessary for their adequate protection, or otherwise upon the reasonable request of all of the Lenders, the Borrower will forthwith grant or cause to be granted to the Agent, for its benefit and for the benefit of the Lenders and the Swap Lenders, a fixed charge in all or any of the Borrower's and each Loan Party's property (including any After-Acquired Property).

#### **4.7 Further Assurances.**

The Borrower will and will cause each Loan Party, in connection with the provision of any amended, new or replacement Security referred to in Section 4.5 or Section 4.6:

- (a) do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent to give effect to any provision of the amended, new or replacement Security;
- (b) provide the Agent with such information as is reasonably required by the Agent to identify the property to be charged;
- (c) do all such things as are reasonably required to grant the Liens to be granted pursuant to the amended, new or replacement Security;
- (d) provide the Agent with all corporate, partnership or other organizational resolutions and other action required for the Borrower to grant the amended, new or replacement Security;
- (e) provide the Agent with an opinion of the Borrower's counsel confirming the due authorization, execution and delivery by the applicable Loan Party of all such agreements and instruments comprising the amended, new or replacement Security in form and content satisfactory to the Agent, acting reasonably;
- (f) assist the Agent in the registration or recording of such agreements and instruments in such public registry offices in all such jurisdictions as the Agent, acting reasonably, deems necessary to give full force and effect to the amended, new or replacement Security; and
- (g) pay all reasonable costs and expenses incurred by the Agent in connection with the preparation, execution and registration of all agreements, documents and

instruments, including any amendments to the Security, made in connection with this Section 4.7.

#### 4.8 Security for Swap Documents with Former Lenders.

- (a) If a Lender ceases to be a Lender under this Agreement (a "Former Lender"), all Swap Indebtedness owing to such Former Lender and its Affiliates under Swap Documents entered into while such Former Lender was a Lender shall remain secured by the Security, subject to the terms hereof, to the extent that such Swap Indebtedness was secured by the Security prior to such Lender becoming a Former Lender and, subject to the following provisions of this Section 4.8. For certainty, any Swap Indebtedness under Hedging Agreements entered into with a Former Lender or an Affiliate thereof after the Former Lender has ceased to be a Lender shall not be secured by the Security. Notwithstanding the foregoing, while any Obligations remain outstanding under any Credit Facility, no Former Lender or any Affiliate thereof shall have any right to cause or require the enforcement of the Security or any right to participate in any decisions relating to the Security, including any decisions relating to the enforcement or manner of enforcement of the Security or decisions relating to any amendment to, waiver under, release of or other dealing with all or any part of the Security; for certainty, the sole right of a Former Lender and its Affiliates with respect to the Security while any Obligations remain outstanding under the Credit Facilities is to share, on a *pari passu* basis, subject to Section 16.4, in any proceeds of realization and enforcement of the Security.
- (b) Subject to Section 4.9, if any Swap Document remains outstanding after the Obligations are otherwise fully paid and satisfied and the Credit Facilities are cancelled, the Agent shall be entitled to discharge the Security; provided that:
- (i) at the request of any Swap Lender, but subject to paragraph (iii) below, the Borrower agrees to enter into margin arrangements with such Swap Lender under which the Borrower will be required to provide such Swap Lender with a pledge of cash or marketable securities with an aggregate value not less than the Swap Indebtedness then owing to such Swap Lender from time to time (to be determined as if a Swap Crystallization Event had occurred);
  - (ii) at the request of any Swap Lender (which request may be made at any time after the Closing Date), but subject to paragraph (iii) below, the Borrower agrees to amend its ISDA Master Agreement with such Swap Lender to reflect the provisions of paragraph (i) above;
  - (iii) the provisions of paragraph (i) and (ii) above shall survive repayment of the Obligations and termination of the Credit Facilities; and
  - (iv) any Swap Lender may elect to expressly override the provisions in paragraphs (i) and (ii) above in its ISDA Master Agreement (or in any

amendment thereto) by expressly contemplating the discharge of the Security and the consequences thereof; provided that no such election shall affect the rights of any other Swap Lender.

#### **4.9 Discharge of Security.**

The Agent will discharge all of the Security at the Borrower's expense forthwith after all of the Loan Parties' Obligations under the Credit Facilities and the Swap Indebtedness have been unconditionally and irrevocably paid or satisfied in full and will discharge the Security in respect of a given Subsidiary if such Subsidiary ceases to be a Restricted Subsidiary hereunder.

### **ARTICLE 5**

#### **FUNDING AND OTHER MECHANICS**

##### **5.1 Funding of Accommodations.**

Subject to Section 5.2, Article 9 and Article 10, all Advances requested by the Borrower will be made available by deposit of the applicable funds (which in the case of Bankers' Acceptances will be the Net Proceeds) into the Borrower's Account for value on the Banking Day, or the LIBOR Banking Day in the case of a LIBOR Based Loan, as the case may be, on which the Advance is to take place.

##### **5.2 Notice Provisions.**

Drawdowns under the Credit Facilities will be made available to the Borrower and the Borrower will be entitled to effect a Rollover or Conversion where permitted hereunder, in each case on the requested Banking Day or LIBOR Banking Day, as the case may be, provided that, other than for an overdraft borrowing under the Operating Facility, a Notice of Borrowing or Notice of Rollover or Notice of Conversion, as applicable, is received by the Agent from the Borrower as follows:

- (a) with respect to Advances under the Operating Facility, other than by way of overdraft borrowings (where no notice is required) or by Letter of Credit, no later than 12:00 noon (Toronto time) on the same Banking Day as the requested Drawdown Date or the date of Rollover or Conversion, as applicable;
- (b) with respect to Advances under the Operating Facility by way of Letters of Credit, at least 3 Banking Days prior to such Advance, provided notice is received by the Agent no later than 12:00 noon (Toronto time) on the third Banking Day immediately preceding the requested Drawdown Date or the date of Rollover or Conversion, as applicable;
- (c) with respect to Advances under the Syndicated Facility, other than by way of LIBOR Based Loans, at least 2 Banking Days prior to such Advance, provided notice is received by the Agent no later than 12:00 noon (Toronto time) on the Banking Day immediately preceding the requested Drawdown Date or the date of Rollover or Conversion, as applicable; and

- (d) with respect to a Drawdown, Rollover or Conversion of or into a LIBOR Based Loan, at least 3 LIBOR Banking Days prior to such Advance, provided notice is received by the Agent no later than 12:00 noon (Toronto time) on the third LIBOR Banking Day immediately preceding the Drawdown Date or the date of Rollover or Conversion, as applicable.

Any of the notices referred to in the foregoing paragraphs of this Section 5.2 may, subject to Section 20.2, be given by the Borrower, solely at the risk of the Borrower, to the Agent by telephone and in such case will be followed by the Borrower delivering to the Agent on the same day the written notice required hereunder confirming such instructions.

### **5.3 Irrevocability.**

Subject to Section 8.3, a Notice of Borrowing, Notice of Rollover or Notice of Conversion when given by the Borrower will be irrevocable and will oblige the Borrower, the Agent and the Lenders to take the action contemplated herein and therein on the date specified therein, provided that, any such notice will not be binding on a Lender who makes a determination under Section 11.2.

### **5.4 Rollover or Conversion of Accommodations.**

- (a) Subject to Section 3.4, Section 5.2, Article 8 and Article 9, the Borrower will be entitled to effect a Rollover of one type of Accommodation into the same type of Accommodation or to effect a Conversion of one type of Accommodation into another type of Accommodation on the terms herein provided.
- (b) Subject to Section 8.1(b), if the Borrower fails to give the Agent a duly completed Notice of Rollover or Notice of Conversion if and as required by Section 5.2, or if in giving such notice the Borrower fails to provide for the Rollover or Conversion of all of the Advances then maturing, the Borrower will be deemed to have irrevocably elected to convert such maturing Advances, or that part of such maturing Advances which the Borrower has failed to provide for in such notice, as the case may be, into a Canadian Prime Rate Loan with respect to a Cdn. Dollar Advance or a U.S. Base Rate Loan with respect to a U.S. Dollar Advance.
- (c) No Conversion of a Bankers' Acceptance will be made prior to its Maturity Date.

### **5.5 Agent's Obligations.**

Upon receipt of a Notice of Borrowing, Notice of Rollover or Notice of Conversion with respect to a proposed Advance under the Syndicated Facility, the Agent will forthwith notify the applicable Lenders of the proposed date on which such Advance is to take place, of each applicable Lender's Rateable Portion of such Advance and of the account of the Agent to which each applicable Lender's Rateable Portion thereof is to be credited, if applicable.



**5.6 Lenders' Obligations.**

Each Lender will, prior to 12:00 noon (Toronto time) on the proposed date on which an Advance under the Syndicated Facility is to take place (other than an Advance by way of Bankers' Acceptances, in which case prior to 2:00 p.m. (Toronto time)), credit the account of the Agent specified in the Agent's notice given pursuant to Section 5.5 with such Lender's Rateable Portion of such Advance, and upon receipt of the funds from the Lenders, the Agent will make available to the Borrower the amount so credited.

**5.7 Failure of a Lender to Fund.**

- (a) Unless the Agent has actual notice that a Lender has not made or will not make available to the Agent for value on a Drawdown Date the applicable amount required from such Lender pursuant to Section 5.6, the Agent shall be entitled to assume that such amount has been or will be received from such Lender when so due and the Agent may (but shall not be obliged to), in reliance upon such assumption, make available to the Borrower a corresponding amount (except that no such amount shall be made available to the Borrower in the case of a deemed Advance). If such amount is not in fact received by the Agent from such Lender on such Drawdown Date and the Agent has made available a corresponding amount to the Borrower on such Drawdown Date as aforesaid (or is deemed to have made an Advance to the Borrower in such amount) although it is under no obligation to do so, such Lender shall pay to the Agent on demand an amount equal to the aggregate of the applicable amount required from such Lender pursuant to Section 5.6 plus an amount equal to the product of (i) the rate per annum applicable to overnight deposits made with the Agent for amounts approximately equal to the amount required from such Lender multiplied by (ii) the amount that should have been paid to the Agent by such Lender on such Drawdown Date and was not, multiplied by (iii) a fraction, the numerator of which is the number of days that have elapsed from and including such Drawdown Date to but excluding the date on which the amount is received by the Agent from such Lender and the denominator of which is 365 in the case of all Advances. A certificate of the Agent containing details of the amount owing by a Lender under this Section 5.7(a) shall be binding and conclusive in the absence of manifest error. If any such amount is not in fact received by the Agent from such Lender on such Drawdown Date, the Agent shall be entitled to recover from the Borrower, on demand, the related amount made available by the Agent to the Borrower as aforesaid together with interest thereon at the applicable rate per annum payable by the Borrower hereunder. The failure of any Lender to make its Rateable Portion of the applicable Advance will not relieve any other Lender of its obligation, if any, hereunder to make its Rateable Portion of such Advance on the date that such Advance is to take place, but no Lender will be responsible for the failure of any other Lender to provide its Rateable Portion of any such Advance under the applicable Credit Facility.
- (b) Notwithstanding the provisions of Section 5.7(a), if any Lender fails to make available to the Agent its Rateable Portion of any Advance, which for greater

certainty includes a deemed Advance hereunder (such Lender being herein called the "Non-Paying Lender"), the Agent shall forthwith give notice of such failure by the Non-Paying Lender to the Borrower (except where such failure relates to a deemed Advance) and to the other Lenders. The Agent shall then forthwith give notice to the other Lenders that any Lender may make available to the Agent all or any portion of the Non-Paying Lender's Rateable Portion of such Advance (but in no way shall any other Lender or the Agent be obliged to do so) in the place of the Non-Paying Lender. If more than one Lender gives notice that it is prepared to make funds available in the place of a Non-Paying Lender in such circumstances and the aggregate of the funds which such Lenders (herein collectively called the "Contributing Lenders" and individually called the "Contributing Lender") are prepared to make available exceeds the amount of the Advance which the Non-Paying Lender failed to make, then each Contributing Lender shall be deemed to have given notice that it is prepared to make available its Rateable Portion of such Advance based on the Contributing Lenders' relative commitments to advance in such circumstances. If any Contributing Lender makes funds available in the place of a Non-Paying Lender in such circumstances, then the Non-Paying Lender shall pay to any Contributing Lender making the funds available in its place, forthwith on demand, any amount advanced on its behalf together with interest thereon at the rate applicable to such Advance from the date of advance to the date of payment, against payment by the Contributing Lender making the funds available of all interest received in respect of the Advance from the Borrower. The failure of any Lender to make available to the Agent its Rateable Portion of any Advance as required herein shall not relieve any other Lender of its obligations to make available to the Agent its Rateable Portion of any Advance as required herein.

- (c) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, either as a result of being a Non-Paying Lender or otherwise, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:
  - (i) the standby fees payable pursuant to Section 3.9(f) shall cease to accrue on the unused portion of the Individual Commitment Amount of such Defaulting Lender;
  - (ii) a Defaulting Lender shall not be included in determining whether, and the Individual Commitment Amount and the Rateable Portion of the Aggregate Principal Amount of such Defaulting Lender shall not be included in determining whether, all Lenders or the Majority Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 19.15), provided that any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender;

- (iii) subject to Section 5.7(b), for the purposes of any Advance requested hereunder while there is a Defaulting Lender, each Lender's Rateable Portion thereof shall be calculated based on such Lender's Individual Commitment Amount relative to the Commitment Amount reduced by the Individual Commitment Amount of the Defaulting Lender;
- (iv) the Agent may require such Defaulting Lender to pay to the Agent for deposit into an escrow account maintained by and in the name of the Agent an amount equal to such Defaulting Lenders' maximum contingent obligations hereunder to the Agent;
- (v) the Agent may withhold any payments owing to such Defaulting Lender for set-off against such Defaulting Lender's existing or reasonably foreseeable future obligations hereunder; and
- (vi) for the avoidance of doubt, the Borrower shall retain and reserve its other rights and remedies respecting each Defaulting Lender.

**5.8 Exchange Rate Fluctuations.**

- (a) Subject to Sections 5.8(b) and 5.9, if as a result of currency fluctuation, the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount to (i) the Lenders under the Credit Facilities exceeds the lesser of the Borrowing Base and the Commitment Amount, (ii) the Syndicated Facility Lenders under the Syndicated Facility exceeds the Syndicated Facility Commitment Amount, or (iii) the Operating Lender under the Operating Facility exceeds the Operating Facility Commitment Amount (in the case of (i), (ii) or (iii), the "Excess"), the Borrower will, within 3 Banking Days after a written request from the Agent, pay the applicable Excess to the Agent as a Principal Repayment for the benefit of the applicable Lenders to be shared on the basis of each applicable Lender's Rateable Portion.
- (b) If the applicable Excess represents an amount which is less than 3% of the lesser of (i) the then current Borrowing Base and (ii) the Commitment Amount, then the Borrower will only be required to repay the applicable Excess on the earlier of the next Rollover Date or Conversion Date and 30 days after written request from the Agent.

**5.9 Excess Relating to LIBOR and Bankers' Acceptances.**

If to pay an Excess it is necessary to repay an Advance made by way of Bankers' Acceptance or a LIBOR Based Loan prior to the Maturity Date thereof, the Borrower will not be required to repay such Advances until the Maturity Date applicable thereto, provided, however, that at the request of the Agent, the Borrower will forthwith pay the Excess to the Agent for deposit into a cash collateral account maintained by and in the name of the Agent for the benefit of the Lenders. The Excess will be held by the Agent for set-off against future Obligations owing by the Borrower to the Lenders in respect of such Excess, if any, and, pending such application, such amounts will bear interest for the Borrower's account at the rate payable by the Agent in

respect of deposits of similar amounts and for similar periods of time. The Agent shall have exclusive control over all amounts at any time on deposit in such cash collateral account. The deposit of the Excess by the Borrower with the Agent as herein provided, will not operate as a repayment of the Aggregate Principal Amount until such time as the Excess is actually paid to the Lenders as a Principal Repayment.

**5.10 Number of Advances.**

The Borrower will not be entitled to maintain at any time, in aggregate, more than 10 outstanding Advances under the Syndicated Facility by way of BA Advances and/or LIBOR Based Loans.

**ARTICLE 6**

**DRAWDOWNS UNDER THE CREDIT FACILITIES**

**6.1 Conditions Precedent to Drawdown.**

The Lenders' obligation to provide Advances will be subject to the following conditions precedent being met:

- (a) the Borrower will have complied, or caused to be complied, with the deliveries required under Section 2.1;
- (b) except in the case of an overdraft borrowing under the Operating Facility, the appropriate Notice of Borrowing, Notice of Rollover or Notice of Conversion will have been delivered in accordance with the notice provisions provided in Section 5.2;
- (c) no Default or Event of Default will have occurred and be continuing;
- (d) in the case of any Advances by way of a Drawdown after the initial Advance hereunder, no Material Adverse Effect or Borrowing Base Shortfall will have occurred and be continuing;
- (e) for each Advance after the initial Advance hereunder and subject to Section 12.2, each of the representations and warranties set out in Article 12 will be true and correct with the same effect as if such representations and warranties had been made on the date of such Advance; and
- (f) the notice with respect to a Hostile Acquisition if required to be given pursuant to Section 6.2 will have been provided by the Borrower and the other provisions of Section 6.2, if applicable, will have been complied with.

## 6.2 Hostile Acquisitions.

If the Borrower wishes to utilize, whether directly or indirectly, Drawdowns to facilitate, assist or participate in a Hostile Acquisition by any Loan Party or any Affiliate thereof:

- (a) at least 10 Banking Days prior to the delivery to the Agent of a Notice of Borrowing made in connection with a Hostile Acquisition, the president or chief financial officer of the Borrower will notify the Agent in writing (who will then notify the Lenders) of the particulars of the Hostile Acquisition in sufficient detail to enable each Lender to determine, in each Lender's sole discretion, whether it will permit a Drawdown to be utilized for such Hostile Acquisition;
- (b) if a Lender decides not to fund an Advance to be utilized for such Hostile Acquisition, then upon such Lender so notifying the Agent (who will then notify the Borrower), such Lender will have no obligation to fund such Advance notwithstanding any other provision of this Agreement to the contrary; and
- (c) each Lender will use reasonable commercial efforts to notify the Agent as soon as practicable (and in any event within 5 Banking Days of receipt of the particulars thereof from the Agent) of its decision whether or not to fund such proposed Hostile Acquisition.

## 6.3 Adjustment of Rateable Portion.

If a Lender elects not to participate in a Drawdown for a Hostile Acquisition (a "Non-Participating Lender"), the Drawdown will be reduced by the Non-Participating Lenders' Rateable Portion thereof and the allocation among all Lenders who are not Non-Participating Lenders (each, a "Participating Lender") of interest and other fees payable by the Borrower hereunder, including standby fees, will be adjusted so as to reflect the non-participation by the Non-Participating Lender in the Drawdown, and thereafter the Rateable Portion of each Lender, for such purposes only, will reflect the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount then funded by each Lender (under the Syndicated Facility) based on the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount of all Lenders relevant to the Syndicated Facility after taking into account the non-participation by the Non-Participating Lender in the requested Drawdown. Notwithstanding the adjustment of the Rateable Portion pursuant to this Section 6.3, there will be no reduction in the Individual Commitment Amount of each Non-Participating Lender.

## 6.4 Subsequent Drawdowns.

If a Lender is a Non-Participating Lender, subsequent Drawdowns under the Syndicated Facility will be funded first by the Non-Participating Lenders rateably based on each Non-Participating Lender's Individual Commitment Amount until the Aggregate Principal Amounts of all Lenders are again in proportion to their respective Rateable Portions under the Syndicated Facility.

**6.5 Prepayment.**

As an alternative to the provisions of Section 6.4, the Borrower will also be entitled, subject to the prepayment provisions herein contained but without obligation to make prepayments to all Lenders to reduce the Aggregate Principal Amount owing to the Participating Lenders until the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount under the Syndicated Facility owing to all the Syndicated Facility Lenders are again in proportion to their respective Rateable Portions.

**ARTICLE 7**

**CALCULATION OF INTEREST AND FEES**

**7.1 Records.**

The Operating Lender will maintain records, in written or electronic form, evidencing all Advances it has made in respect of the Operating Facility. The Agent will maintain records, in written or electronic form, evidencing all Advances under the Syndicated Facility and all other Obligations owing by the Borrower to the Agent and each Lender under this Agreement. The Operating Lender or Agent, as applicable, will enter in such records details of all amounts from time to time owing, paid or prepaid by the Borrower to it hereunder. In addition, each Lender will maintain records, in written or electronic form, evidencing all Advances and other Obligations owing by the Borrower to such Lender. The information entered in such records will constitute *prima facie* evidence of the Obligations of the Borrower to the Agent, the Operating Lender and each Lender. In the event of a conflict between the records of the Agent and a Lender maintained pursuant to this Section 7.1, the records of the Agent shall prevail, absent manifest error.

**7.2 Payment of Interest and Fees.**

- (a) Interest. Except as expressly stated otherwise herein, all Canadian Prime Rate Loans, U.S. Base Rate Loans and LIBOR Based Loans from time to time outstanding will bear interest, as well after as before maturity, default and judgment, with interest on overdue interest, at the applicable rates as prescribed under Section 3.9 or Section 20.10. Interest payable at a variable rate will be adjusted automatically without notice to the Borrower whenever there is a variation in such rate.
- (b) Calculation of Interest. Interest on Canadian Prime Rate Loans and U.S. Base Rate Loans will accrue and be calculated but not compounded daily and be payable monthly in arrears on the first Banking Day of each month for the immediately preceding month, or, after notice to the Borrower, on such other Banking Day as is customary for the Agent having regard to its then existing practice. Interest on Canadian Prime Rate Loans and U.S. Base Rate Loans, BA Stamping Fees and Letter of Credit Fees will be calculated on the basis of a 365 day year.

- (c) Interest Act (Canada). For the purposes of the *Interest Act* (Canada) and any other applicable Laws which may hereafter regulate the calculation or computation of interest on borrowed funds, the annual rates of interest and fees applicable to Canadian Prime Rate Loans, U.S. Base Rate Loans, BA Advances and Letters of Credit, respectively, are the rates as determined hereunder multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest or stamping fee is payable and divided by 365.
- (d) LIBOR Based Loans. Interest on LIBOR Based Loans will accrue and be calculated but not compounded daily and be payable at the end of each applicable LIBOR Period, provided that, where the LIBOR Period exceeds 3 months, interest will be calculated and payable every 3 months during the term of the LIBOR Period and on the last day of the applicable LIBOR Period. Interest on LIBOR Based Loans will be calculated on the basis of the actual number of days in each LIBOR Period divided by 360. For the purposes of the *Interest Act* (Canada) and any other applicable Laws, the annual rates of interest applicable to LIBOR Based Loans are the rates as determined hereunder multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest is payable and divided by 360.

### **7.3 Payment of BA Stamping Fee.**

The Borrower will pay to the Agent for the account of the Lenders the applicable BA Stamping Fee under Section 3.9(a) with respect to BA Advance on the date of acceptance thereof by the Lenders. Payment of the BA Stamping Fee may be made by way of set-off as provided in Section 9.4.

### **7.4 Calculation and Payment of Letter of Credit Fees.**

Letter of Credit Fees will be calculated on the basis of a year of 365 days and for such period of time as the applicable Letter of Credit remains outstanding. The Letter of Credit Fees will be payable upon the issuance or renewal of the applicable Letter of Credit.

### **7.5 Debit Authorization.**

The Borrower authorizes and directs the Agent and the Operating Lender, in their discretion, to automatically debit, by mechanical, electronic or manual means, the bank accounts of the Borrower maintained by it for amounts that are due and payable under this Agreement.

### **7.6 Conversion to Another Currency.**

A Conversion of an Advance from one currency to another currency may be made only by the repayment of such existing Advance in the same currency as such existing Advance and the request of a new Advance in another currency.

**7.7 Maximum Rate of Return.**

Notwithstanding any provision herein to the contrary, in no event will the aggregate "interest" (as defined in section 347 of the *Criminal Code* (Canada)) payable under this Agreement exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section 347) permitted under that section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that section 347) is determined to be contrary to the provisions of that section 347, such payment, collection or demand will be deemed to have been made by mutual mistake of the Borrower and the applicable Lenders and the amount of such payment or collection will be refunded to the Borrower. If any provision is determined to be contrary to the provisions of section 347 of the of the *Criminal Code* (Canada), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted *nunc pro tunc* to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Law or so result in a receipt by a Lender of interest at a criminal rate. For purposes of this Agreement, the effective annual rate of interest will be determined in accordance with generally accepted actuarial practices and principles over the term of the Credit Facility on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Agent will be *prima facie* evidence, for the purposes of such determination.

**7.8 Waiver of Judgment Interest Act (Alberta).**

To the extent permitted by applicable Law, the provisions of the *Judgment Interest Act* (Alberta) will not apply to the Loan Documents and are hereby expressly waived by the Borrower.

**7.9 Deemed Reinvestment Not Applicable.**

For the purposes of the *Interest Act* (Canada), the principle of deemed reinvestment of interest will not apply to any interest calculation under the Loan Documents, and the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

**ARTICLE 8**

**GENERAL PROVISIONS RELATING TO LIBOR BASED LOANS**

**8.1 General.**

- (a) The aggregate amount of each Advance by way of a LIBOR Based Loan will be at least U.S. \$2,000,000 and in multiples of U.S. \$100,000 for any amount in excess thereof, and each LIBOR Based Loan will have a term to maturity of 1, 2, 3 or 6 months, or, subject to availability, as otherwise agreed by the Lenders.
- (b) If the Borrower elects to Drawdown by way of a LIBOR Based Loan, effect a Rollover of a LIBOR Based Loan or a Conversion of an Accommodation into a LIBOR Based Loan, the Borrower will specify in its Notice of Borrowing, Notice of Rollover or Notice of Conversion, as applicable, the LIBOR Period (which will begin and end on a LIBOR Banking Day) applicable to such LIBOR Based Loan. If the Borrower fails, as required hereunder, to select a LIBOR Period for any



proposed LIBOR Based Loan, then the applicable LIBOR Period will be approximately one month as determined by the Agent.

- (c) Any amount owing by the Borrower in respect of any LIBOR Based Loan which is not paid at maturity in accordance with this Agreement will, as and from its Maturity Date, be deemed to be outstanding as a U.S. Base Rate Loan.

### **8.2 Early Termination of LIBOR Periods.**

If the early termination of any LIBOR Based Loan is required hereunder, the Borrower will pay to the Lenders all expenses and out-of-pocket costs incurred by the Lenders as a result of the early termination of the LIBOR Based Loan, including expenses and out-of-pocket costs incurred due to early redemption of offsetting deposits. If, in the opinion of a Lender, acting reasonably, any such early termination cannot be effected, the LIBOR Based Loan will not be terminated and the Borrower will continue to pay interest to the applicable Lenders, at the rate per annum applicable to such LIBOR Based Loan for the remainder of the applicable LIBOR Period. A written statement of the Agent as to the aggregate amount of such expenses and out of pocket costs will be *prima facie* evidence of the amount thereof.

### **8.3 Inability to Make LIBOR Based Loans.**

If at any time subsequent to the giving of a Notice of Borrowing or any Notice of Rollover or Notice of Conversion to the Agent by the Borrower with regard to any requested LIBOR Based Loan:

- (a) the Agent (acting reasonably) determines that by reason of circumstances affecting the London Interbank Eurodollar Market, adequate and fair means do not exist for ascertaining the rate of interest with respect to, or deposits are not available in sufficient amounts in the ordinary course of business at the rate determined hereunder to fund, a requested LIBOR Based Loan during the ensuing LIBOR Period selected;
- (b) the Agent (acting reasonably) determines that the making or continuing of the requested LIBOR Based Loan by the Lenders has been made impracticable by the occurrence of an event which materially adversely affects the London Interbank Eurodollar Market generally; or
- (c) the Agent is advised by Lenders holding at least 25% of the Syndicated Facility Commitment Amount of all Lenders hereunder by written notice (each, a "Lender LIBOR Suspension Notice"), such notice received by the Agent no later than 2:00 p.m. (New York time) on the third Banking Day prior to the date of the requested Drawdown, Rollover or Conversion, as the case may be, that such Lenders have determined (acting reasonably and in good faith) that LIBOR will not or does not represent the effective cost to such Lenders of United States Dollar deposits in such market for the relevant LIBOR Period,

then the Agent shall give notice thereof to the Lenders and the Borrower as soon as possible after such determination or receipt of such Lender LIBOR Suspension Notice, as the case may be, and

the Borrower shall, within one Banking Day after receipt of such notice and in replacement of the Notice of Borrowing, Notice of Rollover or Notice of Conversion, as the case may be, previously given by the Borrower, give the Agent a Notice of Borrowing or a Notice of Conversion, as the case may be, which specifies the Advance of a U.S. Base Rate Loan or the Conversion of the relevant LIBOR Based Loan on the last day of the applicable LIBOR Period into a U.S. Base Rate Loan. In the event the Borrower fails to give, if applicable, a valid replacement Notice of Conversion with respect to the maturing LIBOR Based Loans which were the subject of a Notice of Rollover, such maturing LIBOR Based Loans shall be converted on the last day of the applicable LIBOR Period into U.S. Base Rate Loans as if a Notice of Conversion had been given to the Agent by the Borrower pursuant to the provisions hereof. In the event the Borrower fails to give, if applicable, a valid replacement Notice of Borrowing with respect to an Advance originally requested by way of a LIBOR Based Loan, then the Borrower shall be deemed to have requested an Advance by way of a U.S. Base Rate Loan in the amount specified in the original Notice of Borrowing and, on the originally requested date of Advance, the Lenders (subject to the other provisions hereof) shall make available the requested amount by way of a U.S. Base Rate Loan.

## ARTICLE 9 BANKERS' ACCEPTANCES

### 9.1 General.

Each bankers' acceptance draft tendered by the Borrower for acceptance by a Lender will be a form acceptable to the accepting Lenders, acting reasonably, and the Advance in respect thereof under (a) the Syndicated Facility will be in a principal amount of not less than Cdn. \$2,000,000 and in multiples of Cdn. \$100,000 for any amounts in excess thereof, and (b) the Operating Facility will be in a principal amount of not less than Cdn. \$1,000,000 and in multiples of Cdn. \$100,000 for any amounts in excess thereof, and will, in each case, have terms of 1, 2, 3 or 6 months, unless otherwise agreed to by the accepting Lenders.

### 9.2 Terms of Acceptance by the Lenders.

- (a) Payment. The Borrower will provide for payment to the Agent for the benefit of the Lenders of each Bankers' Acceptance at its maturity, either by payment of the face amount thereof or through the utilization of an Accommodation (including by way of Rollover) in accordance with this Agreement; or through a combination thereof. The Borrower waives presentment for payment of Bankers' Acceptances by the Lenders and will not claim from the applicable Lenders any days of grace for the payment at maturity of Bankers' Acceptances. Any amount owing by the Borrower in respect of any Bankers' Acceptance which is not paid at maturity in accordance with this Agreement, will, as and from its maturity date, be deemed to be outstanding as a Canadian Prime Rate Loan.
- (b) Power of Attorney. To facilitate the procedures contemplated in this Agreement, the Borrower appoints each Lender from time to time as the attorney-in-fact of the Borrower to execute, endorse and deliver on behalf of the Borrower drafts or

depository bills in the form or forms prescribed by such Lender for bankers acceptances denominated in Canadian Dollars (each such executed draft or depository bill which has not yet been accepted by a Lender being referred to as a "Draft"). Each bankers' acceptance executed and delivered by a Lender on behalf of the Borrower as provided for in this Section 9.2(b) will be as binding upon the Borrower as if it had been executed and delivered by a duly authorized officer of the Borrower. The foregoing appointment will cease to be effective three Banking Days following receipt by the Lender in question of a notice from the Borrower revoking such appointment provided that any such revocation will not affect Bankers' Acceptances previously executed and delivered by a Lender pursuant to such appointment.

- (c) Depository Bills. It is the intention of the Parties that pursuant to the *Depository Bills and Notes Act (Canada)* ("DBNA"), all Bankers' Acceptances accepted by the Lenders under this Agreement will be issued in the form of a "depository bill" (as defined in the DBNA), deposited with a "clearing house" (as defined in the DBNA), including The Canadian Depository for Securities Limited or its nominee CDS Clearing and Depository Services Inc. ("CDS"). In order to give effect to the foregoing, the Agent will, subject to the approval of the Borrower and the Lenders, establish and notify the Borrower and the Lenders of any additional procedures, consistent with the terms of this Agreement, as are reasonably necessary to accomplish such intention, including:
- (i) any instrument held by the Agent for purposes of Bankers' Acceptances will have marked prominently and legibly on its face and within its text, at or before the time of issue, the words "This is a depository bill subject to the *Depository Bills and Notes Act (Canada)*";
  - (ii) any reference to the authentication of the Bankers' Acceptance will be removed; and
  - (iii) any reference to the "bearer" will be removed and such Bankers' Acceptances will not be marked with any words prohibiting negotiation, transfer or assignment of it or of an interest in it.

### 9.3 BA Equivalent Loans.

In lieu of accepting bankers' acceptance drafts on any Drawdown Date, or any date of Rollover or Conversion, as applicable, each Non-BA Lender will make a BA Equivalent Loan. Any BA Equivalent Loan will be made on the relevant Drawdown Date, or any date of Rollover or Conversion, as applicable, and its Maturity Date will be the Maturity Date of the corresponding Bankers' Acceptances. The amount of each BA Equivalent Loan will be equal to the Discount Proceeds of the corresponding Bankers' Acceptances calculated on the basis the Lenders purchased such Bankers' Acceptances. On the Maturity Date of a BA Equivalent Loan, the Borrower will pay to the Non-BA Lender an amount equal to the face amount of the Bankers' Acceptance which such Non-BA Lender would have accepted in lieu of making a BA Equivalent Loan if it were not a Non-BA Lender. All provisions of this Agreement with respect to Bankers'

Acceptances will apply to BA Equivalent Loans (and this Agreement is to be interpreted accordingly) provided that stamping fees with respect to a BA Equivalent Loan will be calculated on the basis of the amount of such BA Equivalent Loan which the Borrower is required to pay on the Maturity Date.

**9.4 General Mechanics.**

- (a) Purchase. Unless such Lender makes a BA Equivalent Loan pursuant to the terms of Section 9.3, upon acceptance of a Bankers' Acceptance by a Lender, such Lender will purchase, or arrange for the purchase of, each Bankers' Acceptance from the Borrower at the BA Discount Rate applicable for such Lender for such Bankers' Acceptance accepted by it and provide to the Agent the Discount Proceeds for the account of the Borrower. The stamping fee payable by the Borrower to a Lender in respect of each Bankers' Acceptance by such Lender will be set off against the Discount Proceeds payable by such Lender under this Section 9.4.
- (b) Rollovers. In the case of a Rollover of maturing Bankers' Acceptances, each Lender, in order to satisfy the continuing liability of the Borrower to the Lender for the face amount of the maturing Bankers' Acceptances, will retain for its own account the Net Proceeds of each new Bankers' Acceptance issued by it in connection with such Rollover and the Borrower will, on the Maturity Date of the maturing Bankers' Acceptances, pay to the Agent for the benefit of the Lenders an amount equal to the difference between the face amount of the maturing Bankers' Acceptances and the aggregate Net Proceeds of the new Bankers' Acceptances.
- (c) Conversion to BA's. In the case of a Conversion from a Canadian Prime Rate Loan into an Accommodation by way of Bankers' Acceptances, each Lender, in order to satisfy the continuing liability of the Borrower to each Lender for the amount of the Canadian Prime Rate Loan being converted, will retain for its own account the Net Proceeds of each new Bankers' Acceptance issued by it in connection with such Conversion and the Borrower will, on the date of issuance of the Bankers' Acceptances pay to the Agent for the benefit of the Lenders an amount equal to the difference between the amount of the Canadian Prime Rate Loan being converted, including any accrued interest thereon, owing to the Lenders and the Net Proceeds of such Bankers' Acceptances.
- (d) Conversion from BA's. In the case of a Conversion of an Accommodation by way of Bankers' Acceptances into a Canadian Prime Rate Loan, each Lender, in order to satisfy the liability of the Borrower to each Lender for the face amount of the maturing Bankers' Acceptances, will record the obligation of the Borrower to it as a Canadian Prime Rate Loan, unless the Borrower provides for payment to the Agent for the benefit of the Lenders of the face amount of the maturing Bankers' Acceptance in some other manner acceptable to the Lenders.

- (e) Rounding. In the case of an issue of Bankers' Acceptances, the Agent will round allocations amongst the Lenders to ensure that each Bankers' Acceptance issued has a face amount which is a whole number multiple of Cdn. \$1,000 (and such rounded allocations shall constitute the Lenders' respective Rateable Portions for the purposes of this Agreement).

#### 9.5 Escrowed Funds.

Upon the request of the Agent after the occurrence and during the continuance of an Event of Default, the Borrower will forthwith pay to the Agent for deposit into an escrow account maintained by and in the name of the Agent for the benefit of the Lenders, an amount equal to the Lenders' maximum potential liability under then outstanding Bankers' Acceptances (the "Escrow Funds"). The Escrow Funds will be held by the Agent for set-off against future Obligations owing by the Borrower to the applicable Lenders in respect of such Bankers' Acceptances and pending such application will bear interest for the Borrower's Account at the rate payable by the Agent in respect of deposits of similar amounts and for similar periods of time. If such Event of Default is either waived or cured in compliance with the terms of this Agreement, then the remaining Escrow Funds if any, together with any accrued interest to the date of release, will be released to the Borrower. The deposit of the Escrow Funds by a Borrower with the Agent as herein provided, will not operate as a repayment of the Aggregate Principal Amount until such time as the Escrow Funds are actually paid to the Lenders as a Principal Repayment.

#### 9.6 Market Disruption.

If:

- (a) the Agent (acting reasonably) makes a determination, which determination shall be conclusive and binding upon the Borrower, and notifies the Borrower, that there no longer exists an active market for Bankers' Acceptances accepted by the Lenders; or
- (b) the Agent is advised by Lenders holding at least 25% of the Commitment Amount of all Lenders hereunder by written notice (each, a "**Lender BA Suspension Notice**") that such Lenders have determined (acting reasonably and in good faith) that the BA Discount Rate will not or does not accurately reflect the cost of funds of such Lenders or the discount rate which would be applicable to a sale of Bankers' Acceptances accepted by such Lenders in the market;

then:

- (c) the right of the Borrower to request Bankers' Acceptances or BA Equivalent Loans from any Lender shall be suspended until the Agent determines that the circumstances causing such suspension no longer exist, and so notifies the Borrower and the Lenders;
- (d) any outstanding Notice of Borrowing requesting an Advance by way of Bankers' Acceptances or BA Equivalent Loans shall be deemed to be a Notice of

Borrowing requesting an Advance by way of Canadian Prime Rate Loans in the amount specified in the original Notice of Borrowing;

- (e) any outstanding Notice of Conversion requesting a Conversion of an Advance by way of Bankers' Acceptances or BA Equivalent Loans shall be deemed to be a Notice of Conversion requesting a Conversion of such Advances into an Advance by way of Canadian Prime Rate Loans; and
- (f) any outstanding Notice of Rollover requesting a Rollover of an Advance by way of Bankers' Acceptances or BA Equivalent Loans, shall be deemed to be a Notice of Conversion requesting a Conversion of such Advances into an Advance by way of Canadian Prime Rate Loans.

The Agent shall promptly notify the Borrower and the Lenders of any suspension of the Borrower's right to request Advances by way of Bankers' Acceptances or BA Equivalent Loans and of any termination of any such suspension. A Lender BA Suspension Notice shall be effective upon receipt of the same by the Agent if received prior to 2:00 p.m. (Toronto time) on a Banking Day and if not, then on the next following Banking Day, except in connection with an outstanding Notice of Drawdown, Notice of Conversion or Notice of Rollover, in which case the applicable Lender BA Suspension Notice shall only be effective with respect to such outstanding Notice of Drawdown, Notice of Conversion or Notice of Rollover if received by the Agent prior to 2:00 p.m. (Toronto time) two Banking Days prior to the proposed date of Advance, date of Conversion or date of Rollover (as applicable) applicable to such outstanding Notice of Drawdown, Notice of Conversion or Notice of Rollover, as applicable.

## ARTICLE 10 LETTERS OF CREDIT

### 10.1 General.

- (a) Each Letter of Credit will be made available by the Operating Lender and each Letter of Credit (including all documents and instruments required to be presented thereunder) will be satisfactory in form and substance to the Operating Lender, acting reasonably. No Letter of Credit will be issued (or will be renewable at the option of the beneficiary thereunder) for a term in excess of one year or with an expiry date beyond the Termination Date, or will require payment in any currency other than Canadian Dollars or U.S. Dollars and the Aggregate Principal Amount owing under the Operating Facility with respect to the face amount of outstanding Letters of Credit shall at no time exceed Cdn. \$5,000,000 or the Canadian Dollar Exchange Equivalent thereof (or such greater amount up to the Operating Facility Commitment Amount, as the Operating Lender may agree).
- (b) As a condition of the issuance or renewal of any Letter of Credit, the Borrower will pay to the Operating Lender the issuance fee specified in Section 3.9(a) on the day of issue or renewal, as applicable. The Borrower will also pay to the Operating Lender its customary administrative charges in respect of the issue,

amendment, renewal or transfer of such Letter of Credit, and each drawing made under such Letter of Credit.

- (c) The Operating Lender shall only be required to issue a Letter of Credit if the following conditions have been satisfied:
  - (i) the Operating Lender shall have received an originally executed LC Application, satisfactory to the Operating Lender, acting reasonably, specifying:
    - (A) the proposed date of issuance (which shall be a Banking Day at least 3 Banking Days following the date of such request);
    - (B) the expiry date thereof;
    - (C) the name and address of the beneficiary thereof;
    - (D) whether the Letter of Credit is a Financial LC or a Performance LC; provided that in the case of any dispute, the Operating Lender shall determine whether a Letter of Credit is a Financial LC or a Performance LC in accordance with its usual and customary practices;
    - (E) the face amount and currency thereof; and
    - (F) the terms and conditions of the requested Letter of Credit and other relevant details; and
  - (ii) the Operating Lender shall have received such other customary administrative documents as it shall have reasonably requested as a condition to the issuance of such Letter of Credit.

In the event of any conflict or inconsistency between the terms of an LC Application and such other documents and this Agreement, the terms of this Agreement shall prevail and any liability of the Borrower in respect of Letters of Credit shall be governed by this Agreement irrespective of the provisions of any LC Application or such other documents.

- (d) The Borrower will pay to the Operating Lender sufficient funds in the applicable currency immediately on demand by the Operating Lender, to reimburse the Operating Lender for any payment made by it pursuant to such Letter of Credit. If the Borrower does not make any payment required by the preceding sentence from the proceeds of an Accommodation obtained under this Agreement or otherwise, the Operating Lender shall, without receipt of a Notice of Borrowing and irrespective of whether any other applicable conditions precedent specified herein have been satisfied, make a Canadian Prime Rate Loan or a U.S. Base Rate Loan, as applicable depending on the currency of the Letter of Credit, to the Borrower under the Operating Facility in the amount of such required payment.

The Borrower agrees to accept each such Canadian Prime Rate Loan or U.S. Base Rate Loan, as applicable, and hereby irrevocably authorizes and directs the Operating Lender to apply the proceeds thereof in payment of the liability of the Borrower with respect to such required payment.

- (e) The Borrower agrees that neither the Operating Lender nor its officers, directors, employees or agents will assume liability for, or be responsible for, and the Borrower hereby indemnifies and holds harmless any such Person from any losses or claims resulting from, the following: (i) the use which may be made of any Letter of Credit; (ii) any acts or omissions of the beneficiary of any Letter of Credit including the application of any payment made to such beneficiary; (iii) the form, validity, sufficiency, correctness, genuineness or legal effect of any document or instrument relating to any Letter of Credit which on its face complies with requirements of the Letter of Credit, even if such document or instrument should in fact prove to be in any respect invalid, insufficient, inaccurate, fraudulent or forged; (iv) the failure of any document or instrument to bear any reference or adequate reference to any Letter of Credit; (v) any failure to note the amount of any draft on any Letter of Credit or on any related document or instrument; (vi) any failure of the beneficiary of any Letter of Credit to meet the obligations of such beneficiary to the Borrower or any other Person other than the Operating Lender; (vii) any errors, inaccuracies, omissions, interruptions or delays in transmission or delivery of any messages, directions or correspondence by mail, facsimile or otherwise, whether or not they are in cipher; any inaccuracies in the translation of any messages, directions or correspondence or for errors in the interpretation of any technical terms; or (viii) any failure by the Operating Lender to make payment under any Letter of Credit as a result of any Law, control or restriction rightfully or wrongfully exercised or imposed by any domestic or foreign court or Administrative Body or as a result of any other cause beyond the control of the Operating Lender or its officers, directors or employees or agents. This Section 10.1(e) will survive the termination of this Agreement; provided that nothing in this Agreement shall exonerate the Operating Lender for its gross negligence or wilful misconduct.
- (f) The obligations of the Borrower under this Article 10, with respect to any Letter of Credit will be absolute, unconditional and irrevocable, and will be performed strictly in accordance with the terms hereof under all circumstances including: (i) any matter referred to in Section 10.1(e); any incapacity, disability or lack or limitation of status or of power of the Borrower or the beneficiary of any Letter of Credit; any lack of validity or enforceability of any Letter of Credit; (ii) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against the Operating Lender, the beneficiary of any Letter of Credit or any other Person; or (iii) any breach of contract or other dispute between the Borrower and the Operating Lender, the beneficiary of any Letter of Credit or any other Person.
- (g) The Operating Lender may accept as complying with the terms of any Letter of Credit any document or instrument required by such Letter of Credit to be



completed, signed, presented or delivered by or on behalf of any beneficiary thereunder which has been completed, signed, presented or delivered by a receiver, trustee in bankruptcy, assignee for the benefit of creditors, secured party or other like Person believed in good faith by the Operating Lender to be lawfully entitled to the property of such beneficiary, and the Operating Lender may make payments under such Letter of Credit to such Person. The provisions of this Article 10 are for the sole benefit of the Operating Lender and the Persons indemnified under Section 10.1(e) and may not be relied on by any other Person.

- (h) The Operating Lender shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement or other writing (which may be a bank wire, telex, facsimile or similar writing) appearing on its face to be in compliance with the terms and conditions of the Letter of Credit.
- (i) Each Letter of Credit, except as specifically provided therein, and subject to any provision hereof to the contrary, will be subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce current at the time of issuance of such Letter of Credit.
- (j) For the purpose of calculating the Aggregate Principal Amount in respect of a Letter of Credit and for any other relevant provision of this Agreement, the amount of Accommodation constituted by any Letter of Credit at any time will be the maximum amount which the Operating Lender may in all circumstances be required to pay pursuant to the terms thereof at such time.

## **10.2 Form of Letter of Credit.**

Each Letter of Credit to be issued hereunder shall:

- (a) be dated the date of issuance of the Letter of Credit;
- (b) have an expiration date on a Banking Day which occurs no more than one year after the applicable issuance or renewal date (provided that Letters of Credit may have a term in excess of one year if the Operating Lender shall agree in its sole discretion);
- (c) have an expiration date prior to the Termination Date and a term not exceeding one year; and
- (d) comply with the definition of Letter of Credit and shall otherwise be satisfactory in form and substance to the Operating Lender.

## **10.3 Procedure for Issuance of Letters of Credit.**

- (a) Issue. On the date of issue, the Operating Lender will complete and issue one or more Letters of Credit in favour of the beneficiary as specified by the Borrower in its Notice of Borrowing.

- (b) Time for Honour. No Letter of Credit shall require payment against a conforming draft to be made thereunder on the same Banking Day upon which such draft is presented, if such presentation is made after 11:00 a.m. (Toronto time) on such Banking Day.
- (c) Text. Prior to the issue date, the Borrower shall specify a precise description of the Loan Documents and the verbatim text of any certificate to be presented by the beneficiary prior to payment under the Letter of Credit. The Operating Lender may require changes in any such documents or certificate, acting reasonably.
- (d) Conformity. In determining whether to pay under a Letter of Credit, the Operating Lender shall be responsible only to determine that the Loan Documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

#### **10.4 Payment of Amounts Drawn Under Letters of Credit.**

In the event of any request for a drawing under any Letter of Credit, the Operating Lender may notify the Borrower on or before the date on which it intends to honour such drawing. The Borrower (whether or not such notice is given) shall reimburse the Operating Lender on demand by the Operating Lender, in the relevant currency, an amount, in same day funds, equal to the amount of such drawing.

Unless the Borrower notifies the Operating Lender, prior to 1:00 p.m. (Toronto time) on the second Banking Day following receipt by the Borrower of the notice from the Operating Lender referred to in the preceding paragraph, that the Borrower intends to reimburse the Operating Lender for the amount of such drawing with funds other than the proceeds of Advances:

- (a) the Borrower shall be deemed to have given a Notice of Borrowing to the Operating Lender to make a Canadian Prime Rate Loan or U.S. Base Rate Loan, having regard to the currency of the applicable Letter of Credit, on the third Banking Day following the date on which such notice is provided by the Operating Lender to the Borrower in an amount equal to the amount of such drawing; and
- (b) subject to the terms and conditions of this Agreement (including those set forth in Article 6), the applicable Operating Lender shall, on the next Banking Day following the date of such drawing, make such Advance in accordance with Article 3 and the Agent shall apply the proceeds thereof to the reimbursement of the Operating Lender for the amount of such drawing.

#### **10.5 Obligations Absolute.**

The obligation of the Borrower to reimburse the Operating Lender for drawings made under any Letter of Credit shall be unconditional and irrevocable and shall be fulfilled strictly in accordance with the terms of this Agreement under all circumstances, including:

- (a) any lack of validity or enforceability of any Letter of Credit;
- (b) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Operating Lender, any Lender or any other Person, whether in connection with this Agreement, the Loan Documents, the transactions contemplated herein and therein or any unrelated transaction (including any underlying transaction between the Borrower and the beneficiary of such Letter of Credit);
- (c) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;
- (d) payment by the Operating Lender under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit (provided that such payment does not breach the standards of reasonable care specified in the Uniform Customs or disentitle the Operating Lender to reimbursement under ISP98, in each case as stated on its face to be applicable to the respective Letter of Credit); or
- (e) the fact that a Default or an Event of Default shall have occurred and be continuing.

#### 10.6 Indemnification; Nature of Lenders' Duties.

- (a) Indemnity. In addition to amounts payable as elsewhere provided in this Article 10, the Borrower hereby agrees to protect, indemnify, pay and save the Operating Lender and its directors, officers, employees, agents and representatives harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including legal fees and expenses) which the indemnitee may incur or be subject to as a consequence, direct or indirect, of:
  - (i) the issuance of any Letter of Credit, other than as a result of the breach of the standards of reasonable care specified in the Uniform Customs or where the Operating Lender would not be entitled to the foregoing indemnification under ISP98, in each case as stated on its face to be applicable to such Letter of Credit; or
  - (ii) the failure of the indemnitee to honour a drawing under any Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Administrative Body, (all such acts or omissions called in this Section 10.6, "Governmental Acts").
- (b) Risk. As between the Borrower, on the one hand, and the Operating Lender, on the other hand, the Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued hereunder by, the respective beneficiaries of

such Letters of Credit and, without limitation of the foregoing, the Operating Lender shall not be responsible for:

- (i) the form, validity, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, inaccurate, fraudulent or forged;
- (ii) the invalidity or insufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;
- (iii) errors, omissions, interruptions or delays in transmission or delivery of any messages, by fax, electronic transmission, mail, cable telegraph, telex or otherwise, whether or not they are in cipher;
- (iv) errors in interpretation of technical terms;
- (v) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof;
- (vi) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; and
- (vii) any consequences arising from causes beyond the control of the Operating Lender, including any Governmental Acts.

None of the above shall affect, impair or prevent the vesting of any of the Operating Lender' rights or powers hereunder. No action taken or omitted by the Operating Lender under or in connection with any Letter of Credit issued by it or the related certificates, if taken or omitted in good faith, shall put the Operating Lender under any resulting liability to the Borrower (provided that the Operating Lender acts in accordance with the standards of reasonable care specified in the Uniform Customs and otherwise as may be required under ISP98, in each case as stated on its face to be applicable to the respective Letter of Credit).

#### **10.7 Default, Maturity, etc.**

Upon the earlier of the maturity date of the Letter of Credit and the Agent declaring the Obligations to be due and payable pursuant to Section 16.2, and notwithstanding the expiration date of any outstanding Letters of Credit, an amount equal to the face amount of all outstanding Letters of Credit, and all accrued and unpaid fees owing by the Borrower in respect of the issuance of such Letters of Credit, if any, shall thereupon forthwith become due and payable by the Borrower to the Agent for the benefit of the Operating Lender and, except for any amount payable in respect of unpaid fees as aforesaid, such amount shall be held in a trust account kept by the Agent and applied against amounts payable under such Letters of Credit in respect of any

drawing thereunder. Notwithstanding the foregoing, the Operating Lender having at such time outstanding Letters of Credit, shall have the option, but not the obligation, subject to availability, to cause a Drawdown by way of a Canadian Prime Rate Loan or a U.S. Base Rate Loan, having regard to the currency of the applicable Letter of Credit, under the Operating Facility, in an amount not to exceed the amount which has become due and payable under the applicable Letter of Credit, to be held in a trust account kept by the Operating Lender and applied against amounts payable under such Letters of Credit in respect of any drawing thereunder.

#### **10.8 Escrowed Funds.**

If any Letter of Credit is outstanding on the Termination Date, the date the Credit Agreement is cancelled, at any time that an Event of Default occurs or a demand for repayment is made hereunder, or a domestic or foreign court issues any judgment or order restricting or prohibiting payment by the Operating Lender under such Letter of Credit or extending the liability of the Operating Lender to make payment under such Letter of Credit beyond the expiry date specified therein, the Borrower will forthwith upon demand by the Operating Lender deposit into a cash collateral account maintained by and in the name of the Operating Lender funds in the applicable currency in the amount of the Advance constituted by such Letter of Credit and such funds (together with interest thereon) will be held by the Operating Lender for payment of the liability of the Borrower pursuant to this Article 10 or otherwise in respect of such Letter of Credit so long as the Operating Lender have or may in any circumstance have any liability under such Letter of Credit, and, pending such payment, shall bear interest at the Operating Lender's then prevailing rate in respect of deposits of similar amounts and of similar periods of time. Any balance of such funds and interest remaining at such time as the Operating Lender do not have and may never have any liability under such Letter of Credit will nevertheless continue to be held by the Operating Lender, if and so long as any Default or Event of Default is continuing or after a demand for repayment is made or both, as security for the remaining liabilities of the Borrower hereunder. The Agent shall have exclusive control over all amounts at any time on deposit in such cash collateral account. The deposit of such funds by the Borrower with an Operating Lender as herein provided will not operate as a repayment of the Aggregate Principal Amount until such time as such funds are actually paid to the relevant Operating Lender as a principal repayment.

#### **10.9 Records.**

The Operating Lender shall maintain records showing the undrawn and unexpired amount of each Letter of Credit outstanding hereunder and showing for each Letter of Credit issued hereunder:

- (a) the dates issuance and expiration thereof;
- (b) the amount thereof; and
- (c) the date and amount of all payments made thereunder.

The Operating Lender shall make copies of such records available to the Borrower or any Lender upon its request.

## ARTICLE 11 INCREASED COSTS

### 11.1 Changes in Law.

- (a) If, after the date hereof, due to either:
- (i) the introduction of, or any change in, or in the interpretation of any Law, whether having the force of law or not, resulting in the imposition or increase of reserves, deposits or similar requirements by any central bank or Administrative Body charged with the administration thereof;
  - (ii) imposition on any Lender or expectations on any Lender to maintain any capital adequacy or additional capital requirements in respect of any Advances or commitments hereunder, or any other condition with respect to this Agreement; or
  - (iii) the compliance with any guideline or request from any central bank or other Administrative Body which a Lender, acting reasonably, determines that it is required to comply with,

there will be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining an Accommodation or there will be any reduction in the effective return to such Lender thereunder, then, subject to Section 11.1(b), the Borrower will, within 10 Banking Days after being notified by such Lender of such event, pay to such Lender, quarterly in arrears, that amount (the "Additional Compensation") which such Lender, acting reasonably, determines will compensate it, after taking into account all applicable Taxes and all interest and other amounts received, for any such increased costs or reduced returns incurred or suffered by such Lender.

- (b) If Additional Compensation is payable pursuant to Section 11.1(a), the Borrower will have the option to convert the Accommodation to another type of Accommodation, in accordance with this Agreement, in respect of which no further such Additional Compensation will be payable, or prepay any amount of the Credit Facility owed to the Lender entitled to receive the Additional Compensation, subject always to Section 8.2 without obligation to make a corresponding prepayment to any other Lender. If the Additional Compensation relates to outstanding Bankers' Acceptances under a Credit Facility, such Lender may require the Borrower to deposit in an interest bearing cash collateral account with the applicable Lender such amount as may be necessary to fully satisfy the contingent obligations of such Lender for all outstanding Bankers' Acceptances in accordance with the arrangements similar to those set out in Section 9.5.
- (c) Notwithstanding anything contained in this Section 11.1, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and all requests, rules, regulations, guidelines and directives thereunder or issued in connection therewith and all

requests, rules, regulations, guidelines and directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority or any United States, Canadian or foreign regulatory authority) (collectively, the "New Rules") shall, in each case, be deemed a "change in Law" under Section 11.1(a)(i) regardless of the date enacted, adopted or issued but only to the extent (i) applicable to a Lender claiming Additional Compensation, (ii) materially different from that in effect on the date hereof, and (iii) such New Rules have general application to substantially all banks and their affiliates within the jurisdiction in which such Lender operates.

## **11.2 Changes in Circumstances.**

Notwithstanding anything to the contrary herein or in any of the other Loan Documents contained, if on any date a Lender determines in good faith, which determination will be conclusive and binding on the Parties, and provided notice is given to the Agent and the other Lenders and to the Borrower that its ability to maintain, or continue to offer any Accommodation has become unlawful or impossible due to:

- (a) any change in applicable Law, or in the interpretation or administration thereof by authorities having jurisdiction in the matter; or
- (b) any material adverse change in or the termination of the London Interbank Eurodollar Market for Eurodollars; or
- (c) the imposition of any condition, restriction or limitation upon such Lender which is outside of its control,

then in any such case, the Borrower will forthwith repay to such Lender all principal amounts affected thereby, together with all unpaid interest accrued thereon to the date of repayment and all other expenses incurred in connection with the termination of any such Accommodation, including any expenses resulting from the early termination of any LIBOR Period relating thereto in accordance with Section 8.2, without any obligation to make a corresponding prepayment to any other Lender. The Borrower may utilize other forms of Accommodations not so affected in order to make any required repayment and after any such repayment, the Borrower may elect to re-borrow the amount repaid by way of some other Accommodation upon complying with applicable requirements thereof.

## **11.3 Application of Sections 11.1 and 11.2.**

If a Lender exercises its discretion under either Section 11.1 or 11.2, then concurrently with a notice from such Lender to the Lenders and the Borrower requiring compliance with the applicable Section, such Lender will provide the Borrower (with a copy to the Agent and the other Lenders) with a certificate in reasonable detail outlining the particulars giving rise to such notice and certifying (with reasonable supporting detail) the increased costs, if any, payable by the Borrower thereunder, which will be *prima facie* evidence thereof and binding on the Parties.

#### **11.4 Limitations on Additional Compensation.**

Sections 11.1 and 11.2 will not apply to a Lender with respect to any event, circumstance or change of the nature and kind of which such Lender had actual knowledge on the Closing Date. A Lender will not be entitled to Additional Compensation to the extent such increase in costs or reduction in return is reflected in or recovered by an increase in the interest or other amounts payable hereunder (other than pursuant to Section 11.1) or relates to any period which is more than 120 days prior to such Lender becoming aware such Additional Compensation was owing.

#### **11.5 Taxes.**

All payments to be made by the Borrower and the other Loan Parties pursuant to the Loan Documents are to be made without set-off, deduction, compensation or counterclaim and free and clear of and without deduction for or on account of any Tax (which for greater certainty does not include Taxes on the overall income of a Lender), except for the deduction of such Taxes as required by applicable Laws. If any such Tax is deducted or withheld from any payments under the Loan Documents, the Borrower and the other Loan Parties shall promptly remit to the Agent for the Lenders benefit in the currency in which such payment was made, the equivalent of the amount of Tax so deducted or withheld together with the relevant receipt addressed to the Agent. If the Borrower or any other Loan Party is prevented by operation of Law or otherwise from paying, causing to be paid or remitting such Tax, the interest or other amount payable under the Loan Documents will be increased to such rates as are necessary to yield and remit to the Lenders the principal sum advanced or made available together with interest at the rates specified in the Loan Documents after provision for payment of such Tax.

### **ARTICLE 12**

#### **REPRESENTATIONS AND WARRANTIES OF THE BORROWER**

##### **12.1 Representations and Warranties.**

The Borrower hereby represents and warrants to the Lenders on each date set out in Section 12.2 that:

- (a) Formation, Organization and Power. The Borrower and each Loan Party has been duly created, and is validly existing under the Law of its jurisdiction of formation, and is duly registered to carry on business in each jurisdiction in which the nature of any material business carried on by it or the character of any material property owned or leased by it makes such registration necessary, except for jurisdictions where the failure to be so registered would not reasonably be expected to have a Material Adverse Effect, and the Borrower and each other Loan Party has full power and capacity to enter into and perform its obligations under the Loan Documents to which it is a party, and to carry on its business as currently conducted.
- (b) Authorization and Status of Agreements. (A) Each Loan Document to which any Loan Party is a party, and (B) as of the Closing Date, the Acquisition Agreement, in each case, have been duly authorized, executed and delivered by each Loan



Party party thereto and does not conflict with or contravene or constitute a default or create a Lien, other than a Lien which is a Permitted Encumbrance, under:

- (i) its constating documents, by-laws, any resolution of the Directors, shareholders, members or partners or any shareholders', members' or partnership agreement in respect thereof;
  - (ii) any agreement or document to which it is a party or by which any of its property is bound where such conflict, contravention, default or creation of Lien would reasonably be expected to have a Material Adverse Effect; or
  - (iii) any applicable Law where such conflict, contravention, default or creation of Lien would reasonably be expected to have a Material Adverse Effect.
- (c) Enforceability. Each of the Loan Documents constitutes a valid and binding obligation of each Loan Party that is a party thereto, and is enforceable against such Loan Party in accordance with the terms thereof, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, or similar statutes affecting the enforcement of creditors' rights generally and by general principles of equity.
- (d) Security. The Security constitutes a valid first perfected security interest and first priority floating charge on the assets of the Loan Parties, subject only to Permitted Encumbrances.
- (e) Litigation. There are no actions, suits or proceedings at Law or before or by any Administrative Body existing or pending, or to the best of the Borrower's knowledge threatened, to which any Loan Party is, or to the Borrower's knowledge is threatened to be made, a party, of which there is a reasonable possibility of a determination adverse to the applicable Loan Party, and the result of which would, if successful against it, reasonably be expected to have a Material Adverse Effect.
- (f) Judgments; Etc. No Loan Party is subject to any judgment, order, writ, injunction, decree or award, or to any restriction, rule or regulation (other than customary or ordinary course restrictions, rules and regulations consistent or similar with those imposed on other Persons engaged in similar businesses) which has not been stayed, or of which enforcement has not been suspended, which would reasonably be expected to have a Material Adverse Effect.
- (g) Environmental Law. Each Loan Party: (i) has obtained all permits, licenses and other authorizations which are required under Environmental Law; and (ii) is in compliance with Environmental Law and with the terms and conditions of all such permits, licenses and authorizations, except, in all cases, to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

- (h) Environmental Condition of Property. The property or any part thereof owned, operated or controlled by each Loan Party, either directly or indirectly:
- (i) is not, to the best of the knowledge of the Borrower, the subject of any outstanding claim, charge or order from an Administrative Body alleging violation of Environmental Law or, if subject to any such claim, charge or order, the applicable Loan Party is taking all such remedial, corrective or other action required under the claim, charge or order or such claim, charge or order is being contested by a Permitted Contest; and
  - (ii) complies in all respects with respect to each of its use and operation, with Environmental Law and with the terms and conditions of all permits, licenses and other authorizations which are required to be obtained under applicable Environmental Law, except to the extent that the failure to do so would not be reasonably expected to have a Material Adverse Effect.
- (i) Title to Properties. Each Loan Party has good and valid title to its property, subject only to Permitted Encumbrances and to minor defects of title which in the aggregate would not have or reasonably be expected to have a Material Adverse Effect. Each Loan Party is entitled to charge or pledge its interests in its property in favour of the Agent as provided in this Agreement and the other Loan Documents without the need to obtain any consent of or release from any other Person which has not been obtained and such property is not held in trust by any Loan Party for any Person other than a Loan Party.
- (j) Operation of Properties. To the best of the Borrower's knowledge, information and belief, after due enquiry, all of the oil and gas properties of the Loan Parties have been drilled, operated and, if applicable, abandoned in accordance with applicable Law and in a good and workmanlike manner in accordance with sound industry practice except, in each case, to the extent that the failure to do any of the foregoing would not be reasonably expected to have a Material Adverse Effect.
- (k) Financial Condition. The most recent audited consolidated financial statements of the Borrower heretofore or contemporaneously delivered to the Agent and the Lenders were prepared in accordance with GAAP and such financial statements present fairly in all material respects the Borrower's consolidated financial position as at the date thereof.
- (l) Fiscal Year. The Fiscal Year end of each Loan Party is December 31.
- (m) Information. All written factual information (excluding for greater certainty projections included therein) heretofore or contemporaneously furnished to the Agent or any Lender by or on behalf of any Loan Party was, to the extent pertaining to any Loan Party, true and accurate in all material respects at the time given and the Borrower is not aware of any omission of a material fact pertaining to any such Loan Party, which makes the statements contained therein, misleading in any material respect at the time given.

- (n) No Breach of Orders, Licences or Statutes. No Loan Party is in breach of:
- (i) any order, approval or mandatory requirement or directive of any Administrative Body;
  - (ii) any governmental licence or permit; or
  - (iii) any applicable Law,
- the breach of which would reasonably be expected to have a Material Adverse Effect.
- (o) Pension. Each Loan Party has in all respects complied with the contractual provisions and applicable Law relating to each Pension Plan to which they are a party or are otherwise bound, if any, except to the extent failure to comply would not reasonably be expected to have a Material Adverse Effect, all amounts due and owing under any such Pension Plan have been paid in full, and, to the best of the knowledge of the Borrower, no deficiency exists (whether or not waived) under any such Pension Plan that would reasonably be expected to have a Material Adverse Effect.
- (p) No Default. No Default or Event of Default has occurred and is continuing.
- (q) Insurance. Each Loan Party has in full force and effect such policies of insurance in such amounts issued by such insurers of recognized standing covering the property of the Loan Parties as required by Section 13.1(i).
- (r) Approvals. All regulatory and other approvals, consents, permits and licenses necessary for each Loan Party to carry on its business, as currently carried on, and all approvals and consents necessary for each Loan Party to enter into the Loan Documents to which it is a party and the Acquisition Agreement and perform its obligations thereunder have, in each case, been obtained and are in good standing except to the extent that failure to so obtain would not be reasonably expected to have a Material Adverse Effect.
- (s) Payment of Taxes. Each Loan Party has filed all tax returns which are required to be filed, except for such filings for which timely failure to file or a required amendment in such filing would not be reasonably expected to have a Material Adverse Effect, and has paid all Taxes (including interest and penalties) which are due and payable, unless such payment is subject to a Permitted Contest.
- (t) Remittances. All of the remittances required to be made by each Loan Party to the applicable federal, provincial, state or municipal governments have been made, are currently up to date and there are no material outstanding arrears, unless such remittance is subject to a Permitted Contest.
- (u) Subsidiaries. As of the Closing Date hereof, the Borrower has no Subsidiaries other than as set out in Schedule H and the Borrower's and each such Subsidiary's

jurisdiction of formation and its locations of business and assets and trade names are set forth in Schedule H. As of the Closing Date, the legal and beneficial owners of the issued and outstanding Voting Securities of the Borrower and its Subsidiaries are as set out in Schedule H.

- (v) Liens and Indebtedness. No Loan Party has any Liens on its property, other than Permitted Encumbrances, or has incurred or assumed any Indebtedness, other than Permitted Indebtedness.
- (w) Material Adverse Effect. Since the date of the most recently audited financial statements provided to the Agent pursuant hereto, there have been no events, circumstances, developments or other changes in facts that would, in the aggregate, have a Material Adverse Effect.
- (x) Solvency. No Loan Party is an "insolvent person" as defined in and for purposes of the *Bankruptcy and Insolvency Act* (Canada).

## **12.2 Acknowledgement.**

The Borrower acknowledges that the Agent and the Lenders are relying upon the representations and warranties in this Article 12 in making the Credit Facilities available to the Borrower (subject to Section 2.1(e) in connection with the initial Advance hereunder) and that the representations and warranties contained in Section 12.1 will be made or deemed to be restated in every respect effective on the date each and every Advance is made (other than the initial Advance hereunder where only the Specified Representations are being made), except (a) for any representation and warranty made solely as of the Closing Date which shall be made only on the first time such representation is deemed to be made hereunder in accordance with this Section, and (b) for Advances which are Rollovers or Conversions in which case only Section 12.1(p) will be deemed to be restated as of the date of such Advance.

## **12.3 Survival and Inclusion.**

The representations and warranties in this Article 12 shall survive until this Agreement has been terminated. All statements, representations and warranties contained in any Compliance Certificate and in the other Loan Documents or in any instruments delivered by or on behalf of any Loan Party pursuant to this Agreement or the other Loan Documents shall constitute statements, representations and warranties made by the Borrower to the Agent and the Lenders under this Agreement.

**ARTICLE 13**  
**COVENANTS OF THE BORROWER**

**13.1 Affirmative Covenants.**

While any Obligations under the Credit Facilities are outstanding or any Accommodation under the Credit Facilities remains available:

- (a) Punctual Payment. The Borrower will pay or cause to be paid all Obligations and other amounts payable under the Loan Documents punctually when due.
- (b) Use of Credit Facility. The Borrower will use the Credit Facilities only in accordance with Section 3.7.
- (c) Legal Existence. Except as permitted by Section 13.3(f), each Loan Party will do or will cause to be done all things necessary to preserve and keep in full force and effect each Loan Party's existence in good standing under the Law of its jurisdiction of creation.
- (d) Wholly-Owned Status. Each Loan Party, other than the Borrower, will be direct or indirect wholly-owned Subsidiaries of the Borrower.
- (e) Material Adverse Claims. Each Loan Party will, except for Permitted Encumbrances, do all things necessary to defend, protect and maintain its property and its title thereto (including the assets purchased pursuant to the Acquisition Agreement) and the Security (and the intended priority thereof) from all material adverse claims where the failure to do so in the opinion of the Lenders, acting reasonably, threatens the intended priority or validity of the Security as herein provided, or would reasonably be expected to have a Material Adverse Effect.
- (f) Operation of Properties. Each Loan Party will operate its respective property, or, if it is not the operator, use reasonable efforts to ensure that such property is operated, in accordance with sound industry practice and in accordance in all respects with applicable Law, except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (g) Performance of Agreements. Each Loan Party will perform its obligations under the Loan Documents to which it is a party and all other agreements relating to its properties, including payment of rentals, royalties, Taxes or other charges in respect thereof which are necessary to maintain all such agreements in good standing in all respects, except to the extent failure to so perform would not reasonably be expected to have a Material Adverse Effect, provided that this covenant will not restrict any right to surrender leases or terminate agreements which are uneconomic to maintain.

- (h) Comply with Law and Maintain Permits. Each Loan Party will comply with applicable Laws, including Environmental Laws, and obtain and maintain all permits, licenses, consents and approvals necessary to the ownership of their property and to the conduct of their business in each jurisdiction where it carries on material business or owns material property, including those issued or granted by Administrative Bodies, except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (i) Insurance. Each Loan Party will maintain adequate insurance issued by reputable insurers of recognized standing in respect of its material property, including all wellhead equipment and other plant and equipment, as is customary in the case of businesses of established reputation engaged in the same or similar businesses and to the extent available on commercially reasonable terms, and will provide the Agent with copies of all insurance policies relating thereto if so requested. At the Agent's request, all such property insurance policies will contain a loss payable clause and mortgage clause in favour of the Agent. If no Borrowing Base Shortfall (other than a result of any redetermination pursuant to Section 3.10(g)), Default or Event of Default has occurred and is continuing, the Borrower will be entitled to use the proceeds of all such insurance policies to either repair, replace or rebuild any property damaged and to which the insurance proceeds relate or, if in accordance with sound industry practice it determines not to repair, replace or rebuild such damaged property, for its general corporate purposes.
- (j) Environmental Audit. If the Agent, acting reasonably, determines that any Loan Party's obligations or other liabilities in respect of matters dealing with the protection or contamination of the Environment or the maintenance of health and safety standards, whether contingent or actual, have had a Material Adverse Effect then, at the request of the Agent, each Loan Party will assist the Agent in conducting an environmental audit of the property which is the subject matter of such contingent or actual obligations or liabilities, by an independent consultant selected jointly by the Agent and the Borrower, and failing any such agreement, the Agent. The reasonable costs of such audit will be for the account of the Borrower, provided that the Agent will carry out such audit in consultation with the Borrower to expedite its completion in a cost effective manner. Should the result of such audit indicate that any Loan Party is in breach of any Environmental Law and such breach has a Material Adverse Effect, and without in any way prejudicing or suspending any of the rights and remedies of the Agent and the Lenders under the Loan Documents, the Borrower will forthwith commence and diligently proceed to rectify or cause to be rectified such breach and will keep the Lenders fully advised of the actions it intends to take and has taken to rectify such breach and the progress it is making in rectifying same. The Agent will be permitted to retain, for the account of the Borrower (to the extent such account is reasonable), the services of a consultant to monitor the applicable Loan Party's compliance with this Section 13.1(j).
- (k) Subsidiary Guarantees and Security. Within 10 Banking Days of a Subsidiary becoming a Restricted Subsidiary, the Borrower will cause such Subsidiary to

provide a guarantee and the other Security listed in Section 4.1, in form and substance acceptable to the Agent, acting reasonably, together with such other supporting documentation, registrations and legal opinions as the Agent may reasonably require.

- (l) Inspection of Property; Books and Records; Discussions. Each Loan Party will maintain books and records of account in accordance with GAAP and applicable Law; and permit representatives of the Lenders at the Lenders' expense no more than once a year while no Default or Event of Default exists and at any time at the Borrower's expense while a Default or Event of Default exists to visit and inspect any property of any Loan Party and to examine and subject to any *bona fide* third party confidentiality arrangements in place at the time of such examination make abstracts from any books and records of any Loan Party at any reasonable time during normal business hours and upon reasonable request and notice, and subject to the Borrower's health and safety requirements, and to discuss the business, property and condition (financial or otherwise) of the Borrower or any other Loan Party with their senior officers and (in the presence of such representatives, if any, as it may designate) with its independent chartered accountants.
- (m) Payment of Taxes. Each Loan Party will duly file on a timely basis all Tax returns required to be filed by them, and duly and punctually pay all Taxes and other governmental charges levied or assessed against them or their property, except, to the extent such Taxes or charges are being contested by a Permitted Contest.
- (n) Remittances. Each Loan Party will make all of the remittances required to be made by such Loan Party to the applicable federal, provincial or municipal governments and keep such remittances up to date, except, to the extent such remittances are being contested by a Permitted Contest.
- (o) Ownership of Assets. The Borrower will ensure at all times that the Loan Parties directly own not less than 95% of the Consolidated Tangible Assets.
- (p) Hedges. The Borrower will, until April 30, 2014, maintain Commodity Swap Contracts (including the Existing Swaps) resulting in minimum notional values of hedged natural gas production (calculated as the volumes of natural gas hedged multiplied by the applicable floor price multiplied by the applicable term) for the following calendar years as follows:

<u>Year</u>	<u>Notional Value</u>
2013	\$48 Million
2014	\$85 Million

**13.2 Reporting Covenants.**

- (a) Financial Statements. The Borrower will furnish to the Agent (in electronic format, or if not available in such format, in sufficient copies for each of the Lenders) a copy of: (i) the Borrower's quarterly unaudited consolidated financial statements on or prior to 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year; and (ii) the Borrower's annual audited consolidated financial statements on or prior to 120 days after the end of each Fiscal Year.
- (b) Quarterly Compliance Certificate and Environmental Certificate. Within (i) 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year and (ii) 120 days after the end of each Fiscal Year will furnish to the Agent a Compliance Certificate, and in the case of clause (ii), an Environmental Certificate.
- (c) Additional Environmental Information. The Borrower will upon the request of the Agent, acting reasonably, to the extent within its control, make available for discussion with the Agent or its nominee at all reasonable times the individuals who were involved in the preparation of any Environmental Certificate.
- (d) Production Information. If reasonably requested by the Agent, the Borrower will, on or prior to 60 days after the end of each of Fiscal Quarter, furnish to the Agent a report of the lease operating and production performance of the Borrowing Base Properties including year to date figures, the gross oil and gas production, net production, total revenues, royalties and other burdens, operating expenses and net revenues, in a format acceptable to the Agent, acting reasonably.
- (e) Borrowing Base Properties. In connection with any redetermination of the Borrowing Base as provided for in this Agreement, the Borrower will provide:
  - (i) by (A) in the case of 2014, February 28, or (B) for each year thereafter, March 31 of such year, an independent economic and reserve evaluation report covering the then applicable Borrowing Base Properties, in form satisfactory to the Lenders, acting reasonably, prepared, in the case of such independent reports, by an engineering firm acceptable to the Lenders, with an effective date no earlier than January 1 of that year;
  - (ii) if the Majority Lenders have determined to redetermine the Borrowing Base as provided for in the last sentence of Section 3.10(b), the Majority Lenders may request, to the extent it is reasonably necessary to make such redetermination and the Borrower shall provide at the Borrower's expense within a reasonable time, an independent economic reserve and evaluation report covering the Borrowing Base Properties (in addition to the report required pursuant to clause (i) above);
  - (iii) prior to September 30 of each year, an internally prepared economic and reserve evaluation update report covering the then current Borrowing Base Properties together with lease operating statements, net revenue statements



and any other information reasonably required by the Lenders, with such update to have an effective date of no earlier than August 1 of that year; and

- (iv) by no later than 60 days after the end of each Fiscal Year, annual cash flow projections and capital expenditure budget for the next Fiscal Year, including any revisions thereto.
- (f) Notice of Default, Event of Default or Material Adverse Effect. The Borrower will notify the Agent of the occurrence of any Default or Event of Default or any other event which could reasonably be expected to result in a Material Adverse Effect as soon as reasonably possible upon the Borrower becoming aware thereof and specify in such notice the nature of the event and the steps taken or proposed to be taken to remedy or eliminate the same.
- (g) Notice of Legal Proceedings. The Borrower will, as soon as reasonably possible upon the Borrower becoming aware thereof, notify the Agent of the commencement of any legal or administrative proceedings or any insurance claims against any Loan Party which, if adversely determined against such Loan Party, could reasonably be expected to have a Material Adverse Effect.
- (h) Notice of Change of Control. The Borrower will, as soon as reasonably possible upon becoming aware thereof, notify the Agent of any Change of Control.
- (i) Notice of Environmental Damage. The Borrower will, as soon as reasonably possible upon acquiring knowledge thereof, notify the Agent of the discovery of any Contaminant or of any Release of a Contaminant into the Environment from or upon the land or property owned (either individually or jointly), operated or controlled by any Loan Party which could reasonably be expected to have a Material Adverse Effect.
- (j) Notices and Filings. If and while the Borrower is a "reporting issuer" under applicable Law, it will, on a timely basis, furnish to the Agent (in electronic format or if not available in such format, in sufficient copies for each of the Lenders) all prospectuses, material change reports (except those filed on a confidential basis, but only for so long as such confidentiality remains in effect) and material press releases filed by any Loan Party with securities commissions having jurisdiction and other material documents distributed by the Borrower to its shareholders, provided that the requirement to deliver the foregoing periodic reports and filings may be satisfied by posting such information on [www.sedar.com](http://www.sedar.com) or on another website, as applicable, and forthwith advising the Lenders that such periodic reports and filings have been so posted and the details of any website on which the same have been posted.
- (k) Other Information. The Borrower will provide to the Agent such other documentation and information concerning its business operations as may be requested by the Lenders, acting reasonably.

### 13.3 Negative Covenants.

While any Obligations under any Credit Facility are outstanding or any Accommodation under any Credit Facility remains available:

- (a) Limitation on Indebtedness, Liens and Distributions. No Loan Party shall:
  - (i) incur or assume any Indebtedness, other than Permitted Indebtedness;
  - (ii) provide or permit a Lien over any of its property, except for Permitted Encumbrances; or
  - (iii) make any Distribution, other than a Permitted Distribution.
- (b) Limitation on Exchange Rate Swap Contracts. No Loan Party shall enter into any contract for the sale, purchase, exchange or future delivery of foreign currency (whether or not the subject currency is to be delivered or exchanged) or any hedging contract, forward contract, swap agreement, futures contract, or other foreign exchange protection agreement or option with respect to any such transaction, in each case designed to hedge against fluctuations in foreign exchange rates (collectively, the "**Exchange Rate Swap Contracts**") if the term of any such Exchange Rate Swap Contract exceeds three years or if the aggregate amount hedged under all Exchange Rate Swap Contracts at the time such Exchange Rate Swap Contract is entered into and after giving effect thereto exceeds 60% of the aggregate of the Borrower's consolidated aggregate U.S. Dollar revenues over the last Fiscal Quarter of the Borrower.
- (c) Limitation on Interest Rate Swap Contracts. No Loan Party shall enter into any contract for a rate swap, rate cap, rate floor, rate collar, forward rate agreement, futures or other rate protection agreement or option with respect to any such transaction, designed to hedge against fluctuations in interest rates (collectively, the "**Interest Rate Swap Contracts**") if the term of any such Interest Rate Swap Contract exceeds three years or if the aggregate amounts hedged under all Interest Rate Swap Contracts at the time the Interest Rate Swap Contract is entered into and after giving effect thereto exceeds 60% of the Canadian Dollar Exchange Equivalent of the average daily Aggregate Principal Amount of the Credit Facilities over the last Fiscal Quarter of the Borrower.
- (d) Limitation on Commodity Swap Contracts. No Loan Party shall enter into any contract for a commodity swap or other protection agreement or option designed to protect against fluctuations in commodity prices (which, for greater certainty, includes both physically and financially settled hedges) (collectively, the "**Commodity Swap Contracts**") if the term of any such Commodity Swap Contract exceeds five years or if the aggregate amounts hedged under all Commodity Swap Contracts at the time any Commodity Swap Contract is entered into and after giving effect thereto exceeds 80% for the first year of the term of such Commodity Swap Contract, 70% for the second year of the term of any such Commodity Swap Contract and 60% for the remaining portion of any such term,

of the combined average daily oil and gas production (net of royalties) of the Loan Parties during the immediately preceding Fiscal Quarter of the Borrower, as adjusted for acquisitions and divestitures during such Fiscal Quarter in a manner satisfactory to the Agent, acting reasonably. Notwithstanding the foregoing, the Existing Swaps will be permitted for purposes of this clause until the expiry dates thereof as of the Closing Date.

- (e) Limitation on Hedging Agreements. In addition to the restrictions set forth in Sections 13.3(b), (c) and (d), no Loan Party shall enter into or maintain any Exchange Rate Swap Contract, Interest Rate Swap Contract, Commodity Swap Contract and any other derivative agreement or other similar agreement or arrangements (collectively, the “Hedging Agreements”), unless such Hedging Agreement is entered into for hedging purposes only in the ordinary course of business and not for speculative purposes. For greater certainty, no Loan Party other than the Borrower may enter into a Hedging Agreement until the Borrower has provided a guarantee in respect of any such Loan Party to the Agent, in form and substance acceptable to the Agent, acting reasonably.
- (f) Mergers, Amalgamation and Consolidations. No Loan Party shall merge, amalgamate, consolidate, wind-up or dissolve with or into another Person, other than another Loan Party or wholly-owned Subsidiaries of the Borrower, except as otherwise permitted under Section 15.1.
- (g) Change in Business, Name, Location or Fiscal Year. No Loan Party shall:
  - (i) change in any material respect the nature of their business or operations from the direct or indirect (including through ownership interests in another Person) exploration for, and development, production, transportation and marketing of, petroleum, natural gas and related products; or
  - (ii) change its name, trade name or locations of business from those set forth in Schedule H without giving the Agent 15 days’ prior notice thereof. The Borrower will notify the Agent of the creation of any Subsidiary and the ownership thereof or any change in its Fiscal Year end no later than 10 Banking Days after any such creation or change, as applicable.
- (h) Asset Dispositions. Other than Permitted Dispositions, no Loan Party shall directly or indirectly, make any sale, exchange, lease, transfer or other disposition of any of its assets or properties to any Person.
- (i) Capital Contributions/Financial Assistance. No Loan Party shall make any contributions of capital or any other forms of equity investment in any Person (other than another Loan Party) or provide any Financial Assistance to any Person (other than another Loan Party) in an aggregate amount that at any time exceeds the Threshold Amount. For the purposes hereof, the amount of capital investments shall be determined at the lower of cost and fair market value.
- (j) Transactions with Affiliates. No Loan Party shall, except as otherwise specifically permitted hereunder, enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with

any of its shareholders or with any of its Affiliates, or with any of its or their Directors or officers, or enter into, assume or suffer to exist any employment, consulting or analogous agreement or arrangement with any such shareholder or Affiliate or with any of its directors or officers, except a transaction or agreement or arrangement which is in the ordinary course of business of the applicable Loan Party (and for greater certainty the acquisition of securities of any Loan Party by any other Loan Party shall be considered to be in the ordinary course of business of such Loan Party) and which is upon fair and reasonable terms not materially less favourable to the applicable Loan Party than it would obtain in a comparable arms-length transaction; provided that such restriction will not apply to any transaction solely between the Loan Parties.

- (k) Changes to Constatng Documents. No Loan Party shall amend the terms of its constating documents or its by-laws, if, in each case, to do so could reasonably be expected to materially and adversely affect the rights of the Agent and the Lenders under the Loan Documents.
- (l) Restricted Subsidiaries. The Borrower will not divest any of its interests in any Loan Party if such divestiture directly or indirectly creates, or would create, a breach of Section 13.3(h).

## ARTICLE 14

### DESIGNATION OF RESTRICTED SUBSIDIARIES

#### 14.1 Designation of Non-Restricted/Restricted Subsidiaries.

- (a) The Borrower from time to time, by notice to the Agent in the form of Schedule I, shall be entitled to designate that either:
  - (i) a Restricted Subsidiary will be a Non-Restricted Subsidiary; or
  - (ii) a Non-Restricted Subsidiary will be a Restricted Subsidiary,provided that, the Borrower will not be entitled to designate a Restricted Subsidiary to be a Non-Restricted Subsidiary if:
  - (A) a Default or an Event of Default has occurred and is continuing unless the exercise of the Borrower's discretion under paragraph (i) or (ii) above would cause such Default or Event of Default to be cured; or
  - (B) a Default or an Event of Default would result from or exist immediately after such a designation.
- (b) The Borrower will cause any Non-Restricted Subsidiary designated as a Restricted Subsidiary pursuant to Section 14.1(a) above to deliver Security in accordance with Section 13.1(k).

- (c) As at the Closing Date, there are no Restricted Subsidiaries or Non-Restricted Subsidiaries.

## ARTICLE 15 REORGANIZATION

### 15.1 Successor Entity.

The Borrower will not, and it will not permit any other Loan Party to, enter into any transaction whereby all or substantially all of the undertaking, property and assets of the Borrower or of such other Loan Party would become the property of any other Person (a "successor entity") whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise (other than any such transaction solely among the Loan Parties) unless:

- (a) such transaction takes place in accordance with the applicable Laws;
- (b) the successor entity is organized under the laws of Canada or any province or territory thereof;
- (c) prior to or contemporaneously with the consummation of such transaction, such Loan Party, and the successor entity, as applicable, shall have executed such instruments and done such things as in the opinion of the Agent are necessary or advisable to establish that upon the consummation of such transaction:
  - (i) the successor entity shall have assumed all the covenants and obligations of such Loan Party under the Loan Documents to which it is a party;
  - (ii) the Loan Documents, as applicable, shall be valid and binding obligations of the successor entity entitling the Agent and the Lenders, as against the successor entity, to exercise all their rights thereunder;
  - (iii) the rights and benefits afforded or intended to be afforded the Agent and the Lenders under the Documents to which such Loan Party is a party are not adversely affected in any material respect; and
  - (iv) legal opinions satisfactory to the Agent confirming the matters set forth in Section 15.1(c)(i) and (ii) above are provided by Borrower's Counsel;
- (d) no Material Adverse Effect, Default or Event of Default is subsisting or would occur after giving effect to such transaction; and
- (e) all of the Lenders, in their sole discretion, are satisfied with the creditworthiness, management team and operational experience of the successor entity.

**ARTICLE 16**  
**EVENTS OF DEFAULT**

**16.1 Event of Default.**

Each of the following events will constitute an Event of Default:

- (a) Failure to Pay. If:
  - (i) the Borrower makes default in the due and punctual payment of any principal amount owing under the Loan Documents, as and when the same becomes due and payable, whether at maturity or otherwise; or
  - (ii) the Borrower makes default in the due and punctual payment of interest or fees owing under the Loan Documents, as and when the same become due and payable, whether at maturity or otherwise and such default continues for a period of 5 Banking Days after written notice thereof is given to the Borrower by the Agent.
- (b) Incorrect Representations. If any representation or warranty made by any Loan Party in any Loan Document proves to have been incorrect when so made or deemed to have been repeated as herein provided and if such default is capable of cure, such default remains uncured after thirty (30) days following such Loan Party's actual knowledge thereof or the date on which such Loan Party should have reasonably known of such default.
- (c) Breach of Certain Covenants. Any Loan Party fails to comply with Section 13.3.
- (d) Breach of Hedging Covenant. The Borrower fails to comply with 13.1(p), and such default continues for a period of 90 days following such Loan Party's actual knowledge thereof or the date on which such Loan Party should have reasonably known of such default.
- (e) Breach of Covenants. Except for an Event of Default set out in Section 16.1(a), 16.1(c), 16.1(d) or elsewhere in this Section 16.1, if a Loan Party defaults in the performance or observance of any covenant, obligation or condition to be observed or performed by it pursuant to any of the Loan Documents, and such default continues for a period of 30 days after notice thereof is given to the Borrower by the Agent.
- (f) Insolvency. If a judgment, decree or order of a court of competent jurisdiction is entered against a Loan Party: (i) adjudging any of them bankrupt or insolvent, or approving a petition seeking its reorganization or winding-up under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous Law; or (ii) appointing a receiver, trustee, liquidator, or other Person with like powers, over all, or substantially all, of the property of any of them; or (iii) ordering the

involuntary winding up or liquidation of the affairs of any of them; or (iv) appointing any receiver or other Person with like powers over all, or substantially all, of the property of any of them, unless, in any such case, such judgment, petition, order or appointment is stayed and of no effect against the rights of the Lenders within 30 days of its entry.

- (g) Winding-Up. If: (i) except as permitted by Section 13.3(h), an order or a resolution is passed for the dissolution, winding-up, reorganization or liquidation of a Loan Party, pursuant to applicable Law, including the *Business Corporations Act* (Alberta); or (ii) any of them institutes proceedings to be adjudicated bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous Law; or (iii) any of them consents to the filing of any petition under any such Law or to the appointment of a receiver, or other Person with like powers, over all, or substantially all, of any of their property; or (iv) any of them makes a general assignment for the benefit of creditors, or becomes unable to pay its debts generally as they become due; or (v) any of them takes or consents to any action in furtherance of any of the aforesaid purposes.
- (h) Other Debt. A Loan Party fails to make any payment of principal, interest or other amount in regard to any Indebtedness (other than Indebtedness pursuant to a Swap Document with a Swap Lender), which for the purpose of this Section 16.1(h) includes obligations and liabilities under any Hedging Agreement that is not a Swap Document, whatsoever owed by it after the expiry of any applicable grace period in respect thereof, to any Person, other than the Agent or any Swap Lender under the Loan Documents, where the outstanding principal amount of such Indebtedness is more than the Threshold Amount, in aggregate.
- (i) Adverse Proceedings. The occurrence of any action, suit or proceeding against or affecting a Loan Party before any court or before any Administrative Body which, if successful, could reasonably be expected to have a Material Adverse Effect, unless the action, suit, or proceedings is being contested diligently and in good faith and, in circumstances where a lower court or tribunal has rendered a decision adverse to it, any of them is appealing such decision, and has provided a reserve in respect thereof in accordance with GAAP.
- (j) Material Lien. The property of a Loan Party having a fair market value in excess of the Threshold Amount, in the aggregate, shall be seized (including by way of execution, attachment, garnishment or distraint) or any Lien thereon shall be enforced, or such property shall become subject to any charging order or equitable execution of a court, or any writ of enforcement, writ of execution or distress warrant with respect to obligations in excess of the Threshold Amount, in the aggregate, shall exist in respect of any one or more of any of them, or such property, or any sheriff, civil enforcement agent or other Person shall become lawfully entitled to seize or distraint upon such property under the *Civil Enforcement Act* (Alberta), the *Workers' Compensation Act* (Alberta), the

*Personal Property Security Act* (Alberta) or any other applicable Laws whereunder similar remedies are provided, and in any case such seizure, execution, attachment, garnishment, distraint, charging order or equitable execution, or other seizure or right, shall continue in effect and not be released or discharged for more than 30 days.

- (k) Judgment. A final judgment after appeals have been exhausted is obtained against any Loan Party for an amount in excess of the Threshold Amount, in the aggregate, which remains unsatisfied and undischarged for a period of 30 days during which such judgment shall not be on appeal or execution thereof shall not be effectively stayed.
- (l) Swap Documents. The occurrence of an event of default where the Loan Party is the defaulting party under any Swap Document, after the expiry of any applicable grace period thereunder.
- (m) Cessation of Business. If a Loan Party ceases or proposes to cease carrying on business, or a substantial part thereof, or makes or threatens to make a bulk sale of its property, except as permitted by Section 13.3(f).
- (n) Borrowing Base Shortfall. If at any time there exists a Borrowing Base Shortfall that is not eliminated in accordance with Section 3.5(b).
- (o) Enforceability of Loan Documents. If any material provision of any Loan Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by any Loan Party or if any Lien constituted pursuant to the Security ceases to have the priority contemplated in the Loan Documents.
- (p) Qualified Auditor Report. If the audited financial statements that are required to be delivered to the Agent pursuant to Section 13.2(a) contain a qualification that is not acceptable to the Majority Lenders, acting reasonably, and, if unacceptable, such qualification is not rectified or otherwise dealt with to the satisfaction of the Majority Lenders within a period of 30 days after delivery of such financial statements.
- (q) Change of Control. If a Change of Control occurs.

## 16.2 Remedies.

Upon the occurrence of an Event of Default which has not been waived, by the Operating Lender, in the case of an Event of Default related solely to the Operating Facility, or otherwise by the Agent (on the direction of the Majority Lenders, or in the case of an Event of Default under Sections 16.1(f) and 16.1(g), automatically), shall forthwith terminate any further obligation to make Advances and declare all Obligations owing under the Credit Facilities together with unpaid accrued interest thereon and any other amounts owing under the Loan Documents, contingent or otherwise, to be immediately due and payable, whereupon the



Borrower will be obligated without any further grace period to forthwith pay such amounts and the Agent and the Lenders may exercise any and all rights, remedies, powers and privileges afforded by applicable Law or under any and all other instruments, documents and agreements made to assure payment and performance of the obligations of the Loan Parties under the Loan Documents.

### **16.3 Attorney in Fact.**

The Borrower hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Borrower and in the name of the Borrower or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of the Loan Documents, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Loan Documents and which the Borrower being required to take or execute has failed to take or execute; provided that this power of attorney will not be effective until the occurrence and during the continuance of any Event of Default under any Loan Document. The Borrower hereby ratifies all that said attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and will be irrevocable until all of the Obligations under the Loan Documents have been unconditionally and irrevocably paid and performed in full. The Borrower also authorizes the Agent, at any time and from time to time, to execute any endorsements, assignments or other instruments of conveyance or transfer pursuant to the Security. If requested by the Agent, each Loan Party will constitute and appoint the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact in accordance with the foregoing provisions of this Section 16.3.

### **16.4 Application of Proceeds.**

Except as otherwise agreed to by all of the Lenders in their sole discretion or as otherwise expressly provided for herein, all (i) payments made by or on behalf of a Loan Party under the Loan Documents after acceleration pursuant to Section 16.2, and (ii) proceeds resulting from any realization or enforcement of the Security, including by way of foreclosure, will be applied and distributed by the Agent or any nominee thereof in the following manner:

- (a) first, in full and final payment of any amounts due and payable by way of recoverable expenses, including all out-of-pocket realization and enforcement costs and all legal costs and disbursements (on a solicitor and his own client full indemnity basis);
- (b) second, in full and final payment of all accrued and unpaid interest, BA Stamping Fees, Letter of Credit Fees, agency fees and standby fees based on each Lender's Rateable Portion;
- (c) third, in full and final payment of the Aggregate Principal Amount under each Credit Facility and the Permitted Swap Indebtedness, pro rated in accordance with the provisions hereof;

- (d) fourth, in full and final payment of all other Obligations (other than Swap Indebtedness in excess of Permitted Swap Indebtedness) owing under the Loan Documents, pro rated in accordance with the provisions hereof;
- (e) fifth, in full and final payment of all Swap Indebtedness in excess of Permitted Swap Indebtedness; and
- (f) finally, if there are any amounts remaining and subject to applicable Law, to the appropriate Loan Party.

#### **16.5 Set Off.**

The Borrower agrees that, upon the occurrence of an Event of Default, in addition to (and without limitation of) any right of set off, bankers' lien, counterclaim or other right or remedy that any Lender may otherwise have, each Lender will be entitled, at its option, to offset any and all balances and deposits held by it for the account of any Loan Party at any of its offices or branches, in any currency, against any and all amounts owed by the Loan Parties to such Lender hereunder (regardless of whether any such balances are then due or payable to the applicable Loan Party) or to a Swap Lender in connection with any Swap Indebtedness, in which case such Lender will promptly notify the Borrower and the Agent thereof; provided that such Lender's failure to give any such notice will not affect the validity thereof. Any Person purchasing an interest in the obligations of the Borrower as contemplated herein may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such interest as fully as if such obligations had been originally incurred to such Person and such Person were the holder thereof. The rights of the Lenders under this Section 16.5 are in addition to the other rights and remedies which the Lenders may have. Nothing contained in the Loan Documents will require any Lender to exercise any right, or will affect the right of any Lender to exercise and retain the benefits of exercising any right, with respect to any indebtedness or obligation of the Borrower existing otherwise than pursuant to the Loan Documents.

### **ARTICLE 17 CONFIDENTIALITY**

#### **17.1 Non-Disclosure.**

All information received by the Agent and the Lenders from or in respect of any Loan Party the confidential nature of which is made known to the Party receiving such information, including any information relating to a Hostile Acquisition, other than information that is required to be disclosed by applicable Law (including, for certainty, information required to be disclosed in connection with any legal proceedings, including proceedings relating to the Loan Documents) or to any Administrative Body of competent jurisdiction, including any central bank or other banking regulatory authority and any official bank examiners or regulators, will be held by the Parties in the strictest confidence and will not be disclosed to any Person, except as provided in Sections 17.2 and 17.3.

**17.2 Exceptions.**

Section 17.1 does not apply to information:

- (a) of a Party where that Party consents in writing to its disclosure;
- (b) which becomes part of the public domain;
- (c) received from a third party without restriction on further disclosure and without breach of Section 17.1;
- (d) in connection with the exercise of any remedies hereunder or under the other Loan Documents or any suit, action or proceeding relating to the enforcement of its rights hereunder or thereunder;
- (e) developed independently without breach of Section 17.1; or
- (f) to the extent required to be disclosed by order or direction of a court or Administrative Body of competent jurisdiction.

**17.3 Permitted Disclosures by the Agent or the Lenders.**

Information received by the Agent or a Lender may be disclosed to their respective Affiliates, Swap Lenders, the Agent or any other Lender, including any financial institution which desires to become a Lender hereunder, any actual or prospective counterparty (or its advisors) to any securitization, swap or derivative transaction relating to the Loan Parties, any Subsidiaries thereof, and the Obligations and to their respective employees, auditors, accountants, legal counsel, geologists, engineers and other consultants and financial advisors retained by such Persons on a need to know basis and subject to the obligation to maintain confidentiality, provided that any Person required to maintain the confidentiality of information as provided in this Section 17.3 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord its own confidential information.

**ARTICLE 18**

**ASSIGNMENT**

**18.1 Assignment of Interests.**

Except as expressly permitted under this Article 18, this Agreement and the rights and obligations hereunder and under the other Loan Documents will not be assignable, in whole or in part, by the Borrower or any other Loan Party without the prior written consent of all of the Lenders.

### 18.2 Assignment by the Lenders.

Each Lender will have the right to sell or assign in minimum portions of the lesser of all of such Lender's Individual Commitment Amount and Cdn. \$5,000,000 (with such Lender, where such sale or assignment is not of all of such Lender's Individual Commitment Amount under the applicable Credit Facility, retaining an Individual Commitment Amount under a Credit Facility of at least Cdn. \$5,000,000), of such Lender's Individual Commitment Amount to one or more Lenders acceptable to the Borrower and the Agent, each acting reasonably, provided that such Lender shall also assign its *pro rata* interest in the applicable Credit Facility in which it is a Lender upon each assignment; and further provided that at and after the time of the assignment, the Borrower will not be under any obligation to pay by way of withholding tax or otherwise any greater amount than it would have been obliged to pay if the Lender had not made an assignment. An assignment fee of Cdn. \$3,500 for each such assignment (other than to an affiliate of a Lender or to another Lender) will be payable to the Agent by the assigning Lender. In the event of such sale or assignment, the Borrower, the Agent and the other Lenders will execute and deliver all such agreements, documents and instruments as the Agent or Lender may reasonably request to effect and recognize such sale or assignment, including an Assignment. Notwithstanding the foregoing, no consent of the Borrower will be required if an assignment occurs during a Default or an Event of Default which is continuing or if made between financial institutions who, at the relevant time, are already Lenders.

### 18.3 Effect of Assignment.

To the extent that any Lender sells or assigns any portion of its Individual Commitment Amount pursuant to Section 18.2 and such new Lender or new Lenders, as the case may be, has executed and delivered to the Borrower and the Agent an Assignment, such Lender will be relieved and forever discharged of any and all of its covenants and obligations under the Loan Documents in respect of that portion of its Individual Commitment Amount so sold or assigned from and after the date of such Assignment and the Borrower's recourse under the Loan Documents in respect of such portion so sold or assigned from and after the date of the Assignment for matters arising thereunder from and after the date of the Assignment will be to such new Lender or new Lenders only, as the case may be, and their successors and permitted assigns.

### 18.4 Participations.

Any Lender may at any time sell to one or more financial institutions or other Persons (each of such financial institutions and other Persons being herein called a "**Participant**") participating interests in any of the Advances, commitments, or other interests of such Lender hereunder, provided, however, that:

- (a) no participation contemplated in this Section 18.4 will relieve such Lender from its commitments or its other obligations hereunder or under any other Loan Document;
- (b) such Lender will remain solely responsible for the performance of its commitments and such other obligations as if such participation had not taken place;

- (c) the Agent will continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and each of the other Loan Documents;
- (d) no Participant will have any rights (through a right of consent or approval or otherwise) to require such Lender to take or refrain from taking any action hereunder or under any other Loan Document; and
- (e) the Borrower will not be required to pay any amount hereunder that is greater than the amount which it would have been required to pay had no participating interest been sold.

## ARTICLE 19

### ADMINISTRATION OF THE CREDIT FACILITY

#### 19.1 Authorization and Action.

- (a) Authorization and Action. Each Lender hereby irrevocably appoints and authorizes the Agent to be its agent in its name and on its behalf and to exercise such rights or powers granted to the Agent or the Lenders under the Loan Documents to the extent specifically provided therein and on the terms thereof, together with such powers and authority as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents, the Agent will not be required to exercise any discretion or take any action, but will be required to act or to refrain from acting (and will be fully indemnified and protected by the Lenders to the greatest extent permitted by Law in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions will be binding upon all Lenders, provided however that the Agent will not be required to take any action which, in the opinion of the Agent, might expose the Agent to liability in such capacity, which could result in the Agent incurring any costs and expenses, or which is contrary to the spirit and intent of this Agreement.
- (b) Lenders' Determination. Where the provisions of this Agreement provide that any waiver of or any amendment to any provision of the Loan Documents may be made or any action, consent or other determination in connection with the Loan Documents may be taken or given, with the consent or agreement of the Lenders or the Majority Lenders (in accordance with Section 19.15), then any such waiver, amendment, action, consent or determination so made, so taken or so given with the consent or agreement of the Lenders or the Majority Lenders will be binding on all of the Lenders and all of the Lenders will cooperate in all ways necessary or desirable to implement and effect such waiver, amendment, action, consent or determination.
- (c) Deemed Non-Consent. If the Agent delivers a notice to a Lender requesting advice from such Lender as to whether it consents or objects to any matter in connection with the Loan Documents, then, except as otherwise expressly

provided herein, if such Lender does not deliver to the Agent its written consent or objection to such matter within 7 Banking Days of the delivery of such notice by the Agent to such Lender, such Lender will be deemed not to have consented thereto upon the expiry of such 7 Banking Day period.

- (d) Release and Discharge of Security. Each Lender hereby irrevocably authorizes the Agent to execute and deliver such releases and no-interest letters as may be required in connection with any disposition of assets by one or more Loan Parties in respect of which the Agent has received an officer's certificate of the Borrower certifying that such disposition is permitted hereunder, together with any other information from the Borrower reasonably required by the Agent, if any, to satisfy itself that any such disposition is permitted hereunder.

### **19.2 Remittance of Payments.**

Forthwith after receipt of any payment by the Borrower hereunder and subject to Section 16.4, the Agent, if and to the extent a Lender is entitled thereto, will remit to such Lender its Rateable Portion of such payment, provided that, if the Agent, on the assumption that it will receive on any particular date a payment of principal, interest or fees hereunder, remits to a Lender its Rateable Portion of such payment and the Borrower fails to make such payment, each such Lender agrees to repay to the Agent forthwith on demand such Lender's Rateable Portion of any such payment, together with all reasonable costs and expenses incurred by the Agent in connection therewith and interest thereon at the rate and calculated in the manner customarily applicable to interbank payments for each day from the date such amount is remitted to such Lender. The exact amount of the repayment required to be made by a Lender pursuant hereto will be set forth in a certificate delivered by the Agent to such Lender, which certificate will be conclusive and binding for all purposes in the absence of manifest error.

### **19.3 Redistribution of Payment.**

Each Lender agrees that, subject to Section 16.4:

- (a) If it exercises any right of counter-claim, set off, bankers' lien or similar right with respect to any property of any Loan Party or if under applicable Law it receives a secured claim, the security for which is a debt owed by it to the Loan Party, it will apportion the amount thereof proportionately between:
- (i) amounts outstanding at the time owed by the Loan Party to such Lender under this Agreement, which amounts will be applied in accordance with this Section 19.3; and
  - (ii) amounts otherwise owed to it by a Loan Party,

provided that any cash collateral account held by such Lender as collateral for a letter of credit or bankers' acceptance (including a Bankers' Acceptance) issued or accepted by such Lender on behalf of a Loan Party may be applied by such Lender to such amounts owed by such Loan Party to such Lender pursuant to such

letter of credit or in respect of any such bankers' acceptance without apportionment.

- (b) If it receives, through the exercise of a right or the receipt of a secured claim described in Section 19.3(a) or otherwise, payment of a proportion of the aggregate amount of principal, interest and fees due to it hereunder which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal, interest and fees due in respect of the applicable Credit Facility (having regard to the respective proportionate amounts advanced as Advances by each of the Lenders under the applicable Credit Facility), the Lender receiving such proportionately greater payment will purchase a participation (which will be deemed to have been done simultaneously with receipt of such payment) in that portion of the applicable Credit Facility of the other Lenders so that their respective receipts will be *pro rata* to their respective Rateable Portions, provided however that, if all or part of such proportionately greater payment received by such purchasing Lender is otherwise recovered by it, such purchase will be rescinded and the purchase price for such participation will be returned to the extent of such recovery, but without interest. Such Lender will exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 19.3 to share in the benefits of any recovery on such secured claims.
- (c) If it does any act or thing permitted by Sections 19.3(a) or 19.3(b), it will promptly provide full particulars thereof to the Agent.
- (d) Except as permitted under Sections 19.3(a) or 19.3(b), no Lender will be entitled to exercise any right of counter-claim, set off, bankers' lien or similar right without the prior written consent of the other Lenders.

#### **19.4 Duties and Obligations.**

The Agent or any of its directors, officers, agents or employees (and, for purposes hereof, the Agent will be deemed to be contracting as agent for and on behalf of such Persons) will not be liable to any Lender for any action taken or omitted to be taken by it under or in connection with the Loan Documents, except for its own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Agent:

- (a) may assume that there has been no assignment or transfer by the Lenders of their rights under the Loan Documents, unless and until the Agent receives a duly executed Assignment from such Lender;
- (b) may consult with counsel (including Borrower's Counsel), independent public accountants and other experts selected by it and will not be liable for any action taken or omitted to be taken in good faith by it in accordance with or reliance upon the advice of such counsel, accountants or experts;
- (c) will incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing believed by it to be

genuine and signed or sent by the apparently proper Person or by acting upon any representation or warranty of any Loan Party made or deemed to be made hereunder;

- (d) may assume that no Default or Event of Default has occurred and is continuing unless it has actual knowledge to the contrary; and
- (e) may rely, as to any matter of fact which might reasonably be expected to be within the knowledge of any Person, upon a certificate signed by or on behalf of such Person.

Further, the Agent: (i) does not make any warranty or representation to any Lender nor will it be responsible to any Lender for the accuracy or completeness of the data made available to any of the Lenders in connection with any Credit Facility, or for any statements, warranties or representations (whether written or oral) made in connection with any Credit Facility; (ii) will not have any duty to ascertain or to enquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Loan Party or to inspect the property (including books and records) of any Loan Party; and (iii) will not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant hereto or thereto.

#### **19.5 Prompt Notice to the Lenders.**

Notwithstanding any other provision herein, the Agent agrees to provide to the Lenders, with copies where appropriate, all information, notices and reports required to be given to the Agent by the Borrower hereunder, promptly upon receipt of same, excepting therefrom information and notices relating solely to the role of the Agent hereunder. The Agent shall have no duty to disclose any information obtained or received by it or any of its affiliates relating to the Loan parties or any of their subsidiaries to the extent such information was obtained or received in any capacity other than as the Agent hereunder.

#### **19.6 Agent and Agent Authority.**

With respect to its Rateable Portion of the Credit Facilities and the Advances made by it as a Lender thereunder, as applicable, the Agent will have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Agent. The Agent may accept deposits from, lend money to, and generally engage in any kind of business with any Loan Party, any of their Subsidiaries, their respective shareholders or unitholders or any Person owned or controlled by any of them and any Person which may do business with any of them, all as if the Agent was not serving as Agent, and without any duty or obligation to account therefor to the Lenders.

#### **19.7 Lenders' Credit Decisions.**

It is understood and agreed by each Lender that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Loan Parties.



Accordingly, each Lender confirms with the Agent that it has not relied, and will not hereafter rely, on the Agent (a) to check or inquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Loan Parties or any other Person under or in connection with the Credit Facility (whether or not such information has been or is hereafter distributed to such Lender by the Agent) or (b) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of any Loan Party. Each Lender acknowledges that copies of the Loan Documents have been made available to it for review and each Lender acknowledges that it is satisfied with the form and substance of the Loan Documents. A Lender will not make any independent arrangement with any Loan Party for the satisfaction of any Obligations owing to it under the Loan Documents without the written consent of the other Lenders.

#### **19.8 Indemnification.**

The Lenders hereby agree to indemnify the Agent and its directors, officers, agents and employees (to the extent not reimbursed by the Loan Parties) in accordance with their respective Rateable Portions, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent or its directors, officers, agents and employees in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Agent under or in respect of the Loan Documents in its capacity as Agent, provided that no Lender will be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or wilful misconduct. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its Rateable Portion of any reasonable out-of-pocket expenses (including legal fees, on a solicitor and his own client full indemnity basis) incurred by the Agent in connection with the preservation of any right of the Agent or the Lenders under, or the enforcement of, or legal advice in respect of rights or responsibilities under, the Loan Documents, to the extent that the Agent is not reimbursed for such expenses by the Borrower. This indemnity will survive the termination of the other provisions of this Agreement as a separate and continuing covenant of the Lenders.

#### **19.9 Successor Agent.**

The Agent may, as hereinafter provided, resign at any time by giving 30 days' notice (the "**Resignation Notice**") thereof to the Lenders and the Borrower. The remaining Lenders, with the consent of the Borrower, such consent not to be unreasonably withheld, will forthwith upon receipt of the Resignation Notice unanimously appoint a successor agent (the "**Successor Agent**") to assume the duties hereunder of the resigning Agent. Upon the acceptance of any appointment as agent hereunder by a Successor Agent, such Successor Agent will thereupon succeed to and become vested with all the rights, powers, privileges and duties as agent under the Loan Documents of the resigning Agent. Upon such acceptance, the resigning Agent will be discharged from its further duties and obligations as agent under the Loan Documents, but any such resignation will not affect such resigning Agent's obligations hereunder as a Lender, including for its Rateable Portion of the applicable Commitment Amount. After the resignation of the Agent as agent hereunder, the provisions of this Article 19 will continue to enure to its

benefit as to any actions taken or omitted to be taken by it while it was the agent of the Lenders hereunder. Notwithstanding the foregoing, if the remaining Lenders fail to appoint a Successor Agent within 30 days of receipt of the Resignation Notice, the resigning Agent may and with the approval of the Borrower prior to an Event of Default, such approval not to be unreasonably withheld, appoint a Successor Agent from among the Lenders. The Agent may also be removed at any time by the Majority Lenders upon 30 days' notice to the Agent and the Borrower as long as the Majority Lenders, in consultation with the Borrower, appoint and obtain the acceptance of a successor within such 30 days, in accordance with the terms and conditions set out in this Section 19.9.

#### **19.10 Taking and Enforcement of Remedies.**

Except as otherwise provided herein, each Lender hereby acknowledges that, to the extent permitted by applicable Law, rights and remedies provided under the Loan Documents to the Lenders are for the benefit of the Lenders collectively and not severally and further acknowledges that its rights and remedies thereunder are to be exercised not severally but collectively through the Agent upon the decision of the Lenders (with the required majority or unanimity as herein provided), regardless of whether acceleration of Obligations hereunder was made, and accordingly, notwithstanding any of the provisions contained herein, each of the Lenders hereby covenants and agrees that it will not be entitled to take any action with respect to the Credit Facilities, including any acceleration of Obligations thereunder, but that any such action will be taken only by the Agent with the prior written direction of the Lenders (with the required majority or unanimity as herein provided). Notwithstanding the foregoing, in the absence of written instructions from the Lenders, and where in the sole opinion of the Agent the exigencies of the situation warrant such action, the Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the circumstances. Each of the Lenders hereby covenants and agrees that it has not heretofore and will not seek, take, accept or receive any security for any of the Obligations of the Loan Parties under the Loan Documents and will not enter into any agreement with any of the Parties relating in any manner whatsoever to the Credit Facilities, unless all of the Lenders under the Credit Facilities will at the same time obtain the benefit of any such security or agreement, as the case may be.

#### **19.11 Reliance Upon Agent.**

The Borrower will be entitled to rely upon any certificate, notice or other document or other advice, statement or instruction provided to it by the Agent pursuant to the Loan Documents, and the Borrower will be entitled to deal with the Agent with respect to matters under the Loan Documents which the Agent is authorized hereunder to deal with, without any obligation whatsoever to satisfy itself as to the authority of the Agent to act on behalf of the Lenders and without any liability whatsoever to the Lenders for relying upon any certificate, notice or other document or other advice, statement or instruction provided to them by the Agent, notwithstanding any lack of authority of the Agent to provide the same.

**19.12 Agent May Perform Covenants.**

If the Borrower fails to perform any covenant on its part herein contained, the Agent may give notice to the Borrower of such failure and if, within 10 days of such notice (or after the expiry of such other time or cure period as may be required in this Agreement), such covenant remains unperformed, the Agent on behalf of the Lenders may, in its sole discretion but need not, perform any such covenant capable of being performed by it and, if the covenant requires the payment or expenditure of money, the Agent may make such payment or expenditure and all sums so expended will be forthwith payable by the Borrower to the Agent on behalf of the Lenders and will bear interest at the interest rate applicable to Canadian Prime Rate Loans plus 2%.

**19.13 No Liability of Agent.**

The Agent, in its capacity as agent of the Lenders under the Loan Documents, will have no responsibility or liability to the Borrower or the Lenders on account of the failure of any Lender to perform its obligations hereunder, or to any Lender on account of the failure of the Borrower to perform its obligations under the Loan Documents.

**19.14 Nature of Obligations under this Agreement.**

- (a) Obligations Separate. The obligations of each Lender and the Agent under this Agreement are separate. The failure of any Lender to carry out its obligations hereunder will not relieve the other Lenders, the Agent or the Borrower of any of their respective obligations hereunder.
- (b) No Liability for Failure by Other Lenders. Neither the Agent nor any Lender will be liable, or otherwise responsible for the obligations of any other Lender hereunder.

**19.15 Lender Consent.**

- (a) Unanimity. Notwithstanding anything herein to the contrary and without limiting in any way the context of any provision in this Agreement requiring the consent, approval, action or agreement of all Lenders, the following matters will require the consent, approval, action or agreement, as the context requires, of all Lenders:
  - (i) the reduction or forgiveness of any Obligations payable by any Loan Party under the Credit Facility or under any of the Loan Documents;
  - (ii) the postponement of any maturity date of any Obligations of any Loan Party to the Lenders or under any of the Loan Documents;
  - (iii) the release or discharge of the Security, or any part thereof, unless otherwise expressly permitted or provided in this Agreement, or any change in the ranking or priority of the Security;
  - (iv) any change in the nature of Advances;

- (v) any amendment to Sections 3.3, 3.5, 3.7, 3.8, 4.2, 5.7, 6.1, 6.2, 13.1(a), 13.3(a), 13.3(h) and 16.4 or to this Section 19.15(a);
  - (vi) any decrease in the applicable margins or fees set out in Section 3.9;
  - (vii) any increase in the Commitment Amount; and
  - (viii) any change to the definition of "Majority Lenders" or "LIBOR Period".
- (b) Majority Consent. Subject to Section 19.15(a), any waiver of or any amendment to any provision of the Loan Documents and any action, consent or other determination in connection with the Loan Documents will bind all of the Lenders if such waiver, amendment, action, consent or other determination is agreed to in writing by the Majority Lenders.

#### 19.16 Departing Lenders.

If a Lender: (a) is a Non-Agreeing Lender; (b) is a Defaulting Lender; (c) seeks Additional Compensation in accordance with Article 11; or (d) refuses to give timely consent to an amendment, modification or waiver of this Agreement that, pursuant to Section 19.15(a), requires consent of all the Lenders (and the consent of the Majority Lenders has been given with respect thereto) (a "Non-Consenting Lender") (collectively, the "Departing Lenders"), then the Borrower may either:

- (a) replace the Departing Lender with another financial institution acceptable to the Agent, acting reasonably, who purchases at par (or such lesser amount as may be agreed to by the Departing Lender) the Aggregate Principal Amount owing to the Departing Lender and such Lender's entire Individual Commitment Amount and assumes the Departing Lender's Individual Commitment Amount and all other obligations of the Departing Lender hereunder, provided that prior to or concurrently with such replacement:
  - (i) the Departing Lender shall have received payment in full of all principal, interest, fees and other amounts through such date of replacement (or such lesser amount as may be agreed to by the Departing Lender) and a release from any further obligations to make Advances under the Loan Documents after the date of such replacement;
  - (ii) the assignment fee required to be paid by Section 18.2 shall have been paid to the Agent;
  - (iii) all of the requirements for such assignment contained in Section 18.2 shall have been satisfied, including, the consent of the Agent and the receipt by the Agent of such agreements, documents and instruments as the Agent may reasonably require; and
  - (iv) in the case of a Departing Lender who is a Non-Consenting Lender, each assignee consents, at the time of such assignment, to each matter in respect

of which such Non-Consenting Lender was a Non-Consenting Lender and the Borrower also requires each other Lender that is a Non-Consenting Lender to assign the Aggregate Principal Amount owing to it and its Individual Commitment Amount; or

- (b) elect to terminate the Departing Lender's Individual Commitment Amount, in which case the Commitment Amount shall be reduced by an amount equal to the amount of any Individual Commitment Amount so cancelled (provided that prior to or concurrently with such cancellation the Departing Lender shall have received payment in full of all principal, interest, fees and other amounts through such date of cancellation (including breakage and other costs in accordance with Section 8.2, the provision of Escrow Funds to the Agent on behalf of such Lender in respect of outstanding Bankers' Acceptances accepted by such Lender and cash collateralization in full of any contingent obligations in respect of any outstanding Letters of Credit if such Lender is the Operating Lender) (or such lesser amount as may be agreed to by the Departing Lender) and a release from any further obligations to make Advances under the Loan Documents after such termination).

## ARTICLE 20 MISCELLANEOUS

### 20.1 Notices.

Unless otherwise provided in the Loan Documents, any notice, consent, determination, demand or other communication required or permitted to be given or made thereunder, will be in writing and will be sufficiently given or made if:

- (a) left at the relevant address set forth below; or  
(b) faxed or sent by other means of recorded electronic communication; and

- (i) If to CIBC, as Agent, addressed to CIBC at:

**CANADIAN IMPERIAL BANK OF COMMERCE**, as Agent  
Wholesale Banking Operations, Credit Processing Services  
5<sup>th</sup> Floor, Atrium on Bay, 595 Bay Street  
Toronto, Ontario. M5G 2C2

Facsimile: (416) 956-3830  
Attention: Global Agent Administration  
Email: Severyn.Borowski@cibc.ca / Marina.Tellis@cibc.ca

- (ii) If to any Lender, at the address on file with the Agent.

- (iii) If to the Borrower or any other any Loan Party, addressed to such Loan Party at:

**ENDURANCE ENERGY LTD.**

Suite 400, 444 5th Avenue S.W.

Calgary, Alberta

T2P 2T8

Facsimile: (587) 233-0761

Attention: Vice President and Chief Financial Officer

- (c) The Parties each covenant to accept service of judicial proceedings arising under the Loan Documents at its respective address set forth herein.
- (d) Any notice or other communication given or made in accordance with this Section 20.1 will be deemed to have been received on the day of delivery if delivered as aforesaid or on the day of receipt of same by facsimile or other recorded means of electronic communication, as the case may be, provided such day is a Banking Day and that such notice is received prior to 12:00 noon local time and, if such day is not a Banking Day or if notice is received after 12:00 noon local time, on the first Banking Day thereafter.
- (e) Each Party may change its address and facsimile number for purposes of this Section 20.1 by notice given in the manner provided in this Section 20.1 to the other Parties.
- (f) Any notice given under any of the Loan Documents to the Agent will be deemed to also be given to and received by the Agent in its capacity as Lender.

**20.2 Telephone Instructions.**

Any verbal instructions given by the Borrower in relation to this Agreement will be at the risk of the Borrower and neither the Agent nor the Lenders will have any liability for any error or omission in such verbal instructions or in the interpretation or execution thereof by the Agent or a Lender, as the case may be, provided that the Agent or Lender, as the case may be, acted without gross negligence in the circumstances. The Agent will notify the Borrower of any conflict or inconsistency between any written confirmation of such verbal instructions received from the Borrower and the said verbal advice as soon as practicable after the conflict or inconsistency becomes apparent to the Agent.

**20.3 No Partnership, Joint Venture or Agency.**

Except as expressly provided for herein, the Parties agree that nothing contained in this Agreement nor the conduct of any Party will in any manner whatsoever constitute or be intended to constitute any Party as the agent or representative or fiduciary of any other Party nor constitute or be intended to constitute a partnership or joint venture among the Parties or any of them, but rather each Party will be separately responsible, liable and accountable for its own obligations under the Loan Documents, or any conduct arising therefrom and for all claims, demands,

actions and causes of action arising therefrom. The Parties agree that no Party will have the authority or represent that it has, or hold itself out as having, the authority to act for or assume any obligation or responsibility on behalf of any other Party, save and except as may be expressly provided for in this Agreement.

#### **20.4 Judgment Currency.**

- (a) If, for the purposes of obtaining judgment in any court or any other related purpose hereunder, it is necessary to convert an amount due hereunder in the currency in which it is due (the “**Original Currency**”) into another currency (the “**Second Currency**”), the rate of exchange applicable will be the daily noon day rate quoted by the Bank of Canada on the relevant date to purchase in Calgary, Alberta the Original Currency with the Second Currency and includes any premium and costs of exchange payable by the purchaser in connection with such purchase. Each Party (the “**First Party**”) agrees that its obligation in respect of any Original Currency due from it to another Party hereunder will, notwithstanding any judgment or payment in the Second Currency, be discharged only to the extent that on the Banking Day following the receipt of any sum so paid in the Second Currency, the other Parties may, in accordance with normal banking procedures, purchase in the Calgary, Alberta foreign exchange market the Original Currency with the amount of the Second Currency so paid; and if the amount of the Original Currency so purchased is less than the amount originally due in the Original Currency, the First Party agrees that the deficiency will be a separate and continuing obligation of it, independent from its obligations under this Agreement, and will constitute in favour of the other Parties a cause of action which will continue in full force and effect notwithstanding any such judgment, or order to the contrary, and the First Party agrees, notwithstanding any such payment or judgment, to indemnify the other Parties against any such loss or deficiency. The Borrower acknowledges and agrees that any Indebtedness, obligations or liabilities it may incur or suffer under this Section 20.4(a) will form part of the Obligations and be secured by the Security.
- (b) The Lenders through the Agent will pay to the Borrower the amount, if any, after netting out all amounts due by the Borrower under Section 20.4(a), that the Lenders may realize in excess of what is owed to them by virtue of the conversion of the Original Currency into the Second Currency.

#### **20.5 Environmental Indemnity of Borrower.**

The Borrower hereby indemnifies and holds harmless each of the Agent and the Lenders, including their respective directors, officers, employees and agents (collectively, the “**Indemnified Parties**”), for any costs, losses, damages, expenses, judgments, suits, claims, awards, fines, sanctions and liabilities whatsoever (in this Section 20.5 collectively a “**Claim**”) suffered or incurred by an Indemnified Party, arising out of, or in respect of:

- (a) the Release of any Contaminant into the Environment from or into any property, owned, operated or controlled, directly or indirectly, by any Loan Party or otherwise in which any Loan Party or any Subsidiary thereof has an interest; and
- (b) the remedial action, if any, required to be taken by the Agent or the Lenders in respect of any such Release,

except in such cases where and to the extent that such Claims from the gross negligence or wilful misconduct of any of the Indemnified Parties. This indemnity will survive repayment or cancellation of the Credit Facilities or any part thereof, including any termination of the other provisions of this Agreement. Other than for costs and expenses incurred by the Indemnified Parties for investigating, defending or denying a Claim or preparing any necessary environmental assessment report or other reports in connection with any Claim (the reasonable costs thereof to be paid forthwith by the Borrower on demand therefor), the Indemnified Parties will not request indemnification from the Borrower unless an Indemnified Party is required by Law, based on the advice of such Indemnified Party's counsel, to honour a Claim or any part thereof. During the continuation of an Event of Default, the Indemnified Parties will be entitled, but not obligated, to negotiate any settlement of a Claim in consultation with the Borrower, and any such settlement will be binding on the Parties. The provisions of this Section 20.5 shall survive repayment of the Obligations and the cancellation of this Agreement.

#### **20.6 General Indemnity.**

In addition to any liability of the Borrower to the Lenders under any other provision hereof, the Borrower will and does hereby indemnify each Indemnified Party and hold each Indemnified Party harmless against any losses, claims, costs, damages or liabilities (including reasonable out-of-pocket expenses and reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the same as a result of or in connection with: (a) any cost or expense incurred by reason of the liquidation or re-deployment in whole or in part of deposits or other funds required by any Lender to fund any Bankers' Acceptance or to fund or maintain any Advance as a result of the Borrower's failure to complete a Drawdown or to make any payment, repayment or prepayment on the date required hereunder or specified by it in any notice given hereunder; (b) subject to permitted or deemed Rollovers and Conversions, the Borrower's failure to provide for the payment to the Agent for the account of the Lenders of the full principal amount of each Bankers' Acceptance on its maturity date; (c) the Borrower's failure to pay any other amount, including any interest or fees, due hereunder on its due date after the expiration of any applicable grace or notice periods; (d) the prepayment of any outstanding Bankers' Acceptance before the maturity date of such Bankers' Acceptance; (e) the Borrower's repayment or prepayment of a LIBOR Based Loan otherwise than on the last day of its LIBOR Period; (f) the Borrower's failure to give any notice required to be given by it to the Agent or the Lenders hereunder; (g) the failure of any Loan Party to make any other payment due hereunder or under any of the other Loan Documents; (h) the inaccuracy of any Loan Party's representations and warranties contained in any Loan Document; (i) any failure of any Loan Party to observe or fulfil its covenants under any Loan Document; (j) the occurrence of any other Default or Event of Default; or (k) any use of the proceeds of the Credit Facilities, including to pay the purchase price of any acquisition; provided that this Section 20.6 will not apply to any losses, claims, costs, damages or liabilities that arise by reason of the gross negligence or wilful misconduct of



an Indemnified Party claiming indemnity hereunder. The provisions of this Section 20.6 shall survive repayment of the Obligations and cancellation of this Agreement.

**20.7 Further Assurances.**

The Borrower will, from time to time forthwith at the Agent's request and at the Borrower's own cost and expense (to the extent reasonable), do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, financing change statements, assignments, acts, matters and things which may be reasonably required by the Agent with respect to the Credit Facilities, the Security or any part thereof and to give effect to any provision of the Loan Documents.

**20.8 Waiver of Law.**

To the extent permitted by applicable Law, the Borrower hereby irrevocably and absolutely waives the provisions of any applicable Law which may be inconsistent at any time with, or which may delay or limit in any way, the enforcement of the Loan Documents in accordance with their terms.

**20.9 Attornment and Waiver of Jury Trial.**

The Parties hereto do hereby irrevocably:

- (a) submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta for all matters arising out of or relating to the Loan Documents or any of the transactions contemplated thereby; and
- (b) to the extent legally permitted, waive any right they may have to, or to apply for, trial by jury in connection with any matter, action, proceeding, claim or counterclaim arising out of or relating to the Loan Documents or any of the transactions contemplated thereby.

**20.10 Interest on Payments in Arrears.**

- (a) Except as otherwise provided in this Agreement, interest will be paid by the Parties as follows:
  - (i) on amounts for which any Party has actually incurred an out-of-pocket expense and for which another Party has an obligation under the Loan Documents to reimburse such amounts to the Party incurring the expenses, interest will be payable on such amount at the interest rate then applicable to Canadian Prime Rate Loans plus 200 Basis Points from and including the day on which the amount was incurred to but excluding the day on which the amount is reimbursed if, commencing on the date which is 3 Banking Days following a demand for payment of the amount in accordance with the terms of the Loan Documents, such expense has not been paid; and

- (ii) on amounts payable by one Party to another Party under the Loan Documents where such payment is in default but the non-payment of such amount has not required an actual out-of-pocket expense by the Party to whom such payment is due, at the interest rate then applicable to Canadian Prime Rate Loans plus 200 Basis Points from and including the day on which the payment was due to, but excluding the day on which the payment is made whether before or after judgment, but if such payment is a reimbursement by the Lenders to the Borrower for overpayment by it to the Lenders or is in respect of an inadvertent underpayment by the Agent, the Lenders or the Borrower to another Party (based on information provided by such other Party), such interest will only be calculated from the date which is 3 Banking Days following a demand for payment by the Party entitled to it.
- (b) All interest referred to in this Section 20.10 will be simple interest calculated daily on the basis of a 365 day year. For the purposes of the *Interest Act* (Canada), the annual rates of interest to which such rates are equivalent are the rates so determined multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest is payable and divided by 365.

#### **20.11 Payments Due on Banking Day.**

Whenever any payment hereunder will be due on a day other than a Banking Day, or in the case of LIBOR Based Loans a LIBOR Banking Day, such payment will be made on the next succeeding Banking Day, or LIBOR Banking Day, as applicable, and such extension of time will in such case be included in the computation of payment of interest thereunder.

#### **20.12 Anti-Money Laundering Legislation.**

- (a) The Borrower acknowledges that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" Laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "AML Legislation"), the Lenders and the Agent may be required to obtain, verify and record information regarding the Loan Parties, their respective directors, authorized signing officers, direct or indirect shareholders or unitholders or other Persons in control of any Loan Party and the transactions contemplated hereby. The Borrower shall promptly: (i) provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or the Agent, or any prospective assignee of a Lender or the Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence; and (ii) notify the recipient of any such information of any changes thereto.
- (b) If, upon the written request of any Lender, the Agent has ascertained the identity of the Borrower or any Subsidiary or any authorized signatories of the Borrower

or any Subsidiary for the purposes of applicable AML Legislation on such Lender's behalf, then the Agent:

- (i) shall be deemed to have done so as an agent for such Lender, and this Agreement shall constitute a "written agreement" in such regard between such Lender and the Agent within the meaning of applicable AML Legislation; and
  - (ii) shall provide to such Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.
- (c) Notwithstanding the preceding sentence, each of the Lenders agrees that the Agent has no obligation to ascertain the identity of the Borrower, or any Subsidiary or any authorized signatories of the Borrower or any Subsidiary, on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Borrower or any Subsidiary or any such authorized signatory in doing so.

**20.13 Expenses.**

The Borrower will pay or reimburse the Agent and the Lenders, as applicable, for all reasonable out-of-pocket expenses, including legal fees and disbursements (on a solicitor and his own client full indemnity basis) and enforcement costs, incurred by the Agent and the Lenders, as applicable, in connection with the negotiation, preparation, execution and maintenance of the Loan Documents and the enforcement of their rights and remedies under the Loan Documents.

**20.14 Whole Agreement.**

This Agreement and the other Documents constitute the entire agreement between the Agent and the Lenders on one hand and the Borrower on the other hand, and cancels and supersedes any other agreements, undertakings, declarations, representations and warranties, written or verbal among all such Parties in respect of the subject matter of this Agreement.

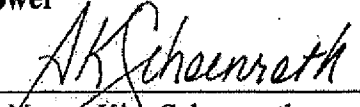
**20.15 Counterparts.**

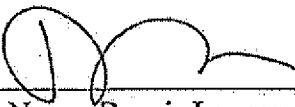
The Loan Documents may be executed in any number of counterparts (including by facsimile transmission or other electronic transmission (including in .pdf format)) and by different Parties in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

*[The remainder of this page has intentionally been left blank.]*

**THIS AGREEMENT** has been executed effective the date first written above.

**ENDURANCE ENERGY LTD., as  
Borrower**

By:   
Name: Kim Schoenroth  
Title: Vice President & CFO

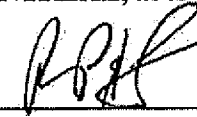
By:   
Name: Dennis Lawrence  
Title: President & CEO

**CANADIAN IMPERIAL BANK OF  
COMMERCE, as Agent and as Lender**


By:   
Name: Brad Kay  
Title: Authorized Signatory

By:   
Name:   
Title: Graydon Falls  
Authorized Signatory

**BANK OF MONTREAL, as Lender**

By: 

Name: **R.P. Heinrichs**  
Title: **Managing Director**

By: 

Name: **Matthew Brink**  
Title: **Associate**

**HSBC BANK CANADA, as Lender**

By:   
Name: **John Schmidt**  
Senior Account Manager  
Commercial Banking

Title:  
By:   
Name: **DUNCAN LEVY**  
Title: **Assistant Vice President**  
Commercial Banking

**THE TORONTO-DOMINION BANK,**  
as Lender

By: \_\_\_\_\_

Name: **Michael J Collins**  
Title: **Managing Director**

By: \_\_\_\_\_

Name: **Glen Cameron**  
Title: **Vice President & Director**




**ALBERTA TREASURY BRANCHES,  
as Lender**

By: 

Name: Mikael Sears

Title: Director

By: 


Name: Sonia Barr

Title: Associate Director

**UNION BANK, CANADA BRANCH, as  
Lender**

By: \_\_\_\_\_

Name:

  
Larry Sagriff

Title:

Vice President

By: \_\_\_\_\_

Name:

Title:

**SCHEDULE A  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**DEFINITIONS**

“**Accommodation**” means an accommodation referred to in Section 3.8.

“**Accounting Change**” has the meaning attributed to it in Section 1.16.

“**Accounting Change Notice**” has the meaning attributed to it in Section 1.16.

“**Acquisition Agreement**” means the asset sale agreement dated as of April 23, 2013 between the Borrower, as purchaser, and the Vendors, as vendors.

“**Additional Compensation**” will have the meaning attributed to it in Section 11.1(a).

“**Administrative Body**” means any domestic or foreign, national, federal, provincial, state, municipal or other local government or regulatory body and any division, agency, ministry, commission, board or authority or any quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign or international judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing.

“**Advance**” means, with respect to a Drawdown, Rollover or Conversion:

- (a) in respect of Accommodations other than Bankers’ Acceptances or Letters of Credit, the disbursement or credit of funds to, or to the credit of, the Borrower;
- (b) in respect of Bankers’ Acceptances, the acceptance by the Lenders of drafts issued under the Agreement by the Borrower and, where the Lenders are purchasing such drafts, the disbursement of the Net Proceeds to the Borrower as provided hereunder; and
- (c) in respect of Letters of Credit, the issuance of Letters of Credit.

“**Affiliate**” has the meaning attributed to it in the *Securities Act* (Alberta).

“**After-Acquired Property**” has the meaning attributed to it in Section 4.5.

“**Agent**” means initially CIBC or any successor to CIBC appointed as administrative agent pursuant to Section 19.9.

“**Aggregate Principal Amount**” means (a) where the context so requires, the aggregate of the amount of principal outstanding from time to time under a Credit Facility, including the face amount of all unmatured Bankers’ Acceptances and Letters of Credit issued thereunder; or (b) where the context so requires, the aggregate of the amount of principal outstanding from time

to time under all of the Credit Facilities, including the face amount of all unmatured Bankers' Acceptances and the undrawn amount of outstanding Letters of Credit issued thereunder.

"**Agreeing Lender**" has the meaning attributed to it in Section 3.3(b).

"**Agreement**" or "**this Agreement**" means the credit agreement in writing dated as of the Closing Date between the Borrower, the Lenders and the Agent entitled "Credit Agreement" inclusive of all Schedules, including this Schedule A, as amended, confirmed, replaced or restated from time to time and "**hereto**", "**hereof**", "**herein**", "**hereby**" and "**hereunder**", and similar expressions mean and refer to the Agreement and, unless the context otherwise requires, not to any particular Article, Section, paragraph or other subdivision thereof.

"**AML Legislation**" has the meaning ascribed thereto in Section 20.12.

"**Anniversary Date**" means April 30 of each calendar year until the Termination Date.

"**Assignment**" means an agreement whereby a financial institution becomes a Lender substantially in the form of Schedule J, with the blanks completed.

"**Available Cash Flow**" means for any period:

(a) Consolidated EBITDA;

*less*, without duplication:

(b) Consolidated Interest Expense;

(c) cash Taxes applicable to such period;

(d) any mandatory capital expenditure requirements as provided in the then most current independent economic reserve and evaluation report delivered hereunder applicable to the Loan Parties' consolidated P&NG Rights;

(e) reasonable abandonment and reclamation costs and reserves maintained in respect thereof consistent with industry standards; and

(f) any capital expenditures set forth in the annual capital expenditure budget that was approved by the Borrower's board of directors and any other capital expenditures that the Lenders shall agree to acting reasonably.

"**BA Advance**" means a Banker's Acceptance or a BA Equivalent Loan, as applicable.

"**BA Discount Rate**" means:

(a) in relation to a Bankers' Acceptance accepted by a Schedule I Lender, the CDOR Rate; and

- (b) in relation to a Bankers' Acceptance accepted by a non-Schedule I Lender or a Non-BA Lender in relation to a BA Equivalent Loan, the lesser of:
- (i) the discount rate then applicable to Bankers' Acceptances as quoted by such non-Schedule I Lenders; and
  - (ii) the CDOR Rate plus 10 Basis Points per annum.

**"BA Equivalent Loan"** means Canadian Dollar Accommodations made pursuant to Section 9.3.

**"BA Stamping Fee"** has the meaning attributed to it in Section 3.9(a)(iii).

**"Bank Act (Canada)"** means the Bank Act, S.C. 1991, c. 46 including the regulations made and, from time to time, in force under that Act.

**"Bankers' Acceptance"** means depository bills as defined in the *Depository Bills and Notes Act* (Canada) in Canadian Dollars that are signed by the Borrower, made payable to CDS and accepted by a Lender pursuant to this Agreement.

**"Banking Day"** means any day, other than a Saturday or Sunday, on which financial institutions are open for domestic and foreign exchange business in Calgary, Alberta, Toronto, Ontario and New York, New York.

**"Bankruptcy and Insolvency Act (Canada)"** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, including the regulations made and, from time to time, in force under that Act.

**"Basis Point"** or **"bps"** means one one-hundredth of 1%.

**"Borrower"** means Endurance Energy Ltd. and its successors and permitted assigns.

**"Borrower's Account"** means one or more current accounts maintained by the Borrower at a branch of the Agent or such other account as may be agreed to by the Agent and the Borrower.

**"Borrower's Counsel"** means Osler, Hoskin & Harcourt LLP or another firm of barristers and solicitors in an appropriate jurisdiction retained by the Loan Parties and acceptable to the Agent, acting reasonably.

**"Borrowing Base"** means, initially, the amount set forth in Section 3.10(a), and thereafter, the amount determined or redetermined by the Lenders in their absolute discretion from time to time in accordance with Article 3, taking into consideration such factors as each Lender determines relevant, including the estimated future net revenue after income tax from the oil and gas properties and royalty interests of the Loan Parties (in each case, after taking into account any Hedging Agreements to which any Loan Party is a party, and any royalties or other burdens applicable to such oil and gas properties) using the independently and internally prepared reserve and economic evaluation reports to be provided by the Borrower hereunder and each Lender's then current projections of oil and gas prices and direct operating and capital costs and other assumptions affecting such estimated future net revenue in accordance with its customary practice for similar loans.

**“Borrowing Base Date”** has the meaning attributed to it in Section 3.10(b).

**“Borrowing Base Disposition”** means the sale, assignment, lease, transfer or exchange or other disposition by any Loan Party to any Person (other than another Loan Party) of all or any portion of its rights, title and interest in any Borrowing Base Properties.

**“Borrowing Base Properties”** means the Proved Producing Properties, Proved Non-Producing Properties and related properties and facilities of the Borrower and its Subsidiaries who are Loan Parties which are given lending value in the determination of the Borrowing Base and are identified as such, from time to time, to the Borrower by the Agent in accordance with Section 3.10(c).

**“Borrowing Base Shortfall”** means at any time, that amount, if any, by which the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount under the Credit Facilities exceeds the Borrowing Base.

**“Business Corporations Act (Alberta)”** means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations made, from time to time, under that Act.

**“Canadian Dollar Exchange Equivalent”** means with reference to Canadian Dollars, the amount thereof expressed in Canadian Dollars, and with reference to any amount (the **“Original Amount”**) expressed in U.S. Dollars (the **“Original Currency”**), the amount expressed in Canadian Dollars on the date when such amount is being determined as herein provided, required to purchase the Original Amount of the Original Currency at the Noon Rate on the Banking Day immediately preceding the date such conversion is to be made.

**“Canadian Dollars”** or **“Canadian \$”** or **“Cdn. \$”** or **“\$”** each means such currency of Canada which, as at the time of payment or determination, is legal tender in Canada for the payment of public or private debts.

**“Canadian Prime Rate”** means the variable rate of interest quoted by the Agent from time to time as the reference rate of interest which it employs to determine the interest rate it will charge for demand loans in Canadian Dollars to its customers in Canada and which it designates as its prime rate, provided that if such rate of interest is less than the then applicable rate quoted by the Agent for its one month Canadian Dollar bankers’ acceptances plus 100 Basis Points per annum (the **“Floor Rate”**), then the Canadian Prime Rate will equal the Floor Rate.

**“Canadian Prime Rate Loan”** means an Advance in Canadian Dollars which bears interest at a rate based on the Canadian Prime Rate.

**“Capital Adequacy Guidelines”** means Guideline A, dated November 2007, entitled “Capital Adequacy Requirement (CAR) — Supplier Approaches” and Guideline A-I, dated November 2007, entitled “Capital Adequacy Requirements (“CAR”)” each issued by the Office of the Superintendent of Financial Institutions Canada and all other guidelines or requirements relating to capital adequacy issued by the Office of the Superintendent of Financial Institutions Canada or any other Administrative Body regulating or having jurisdiction with respect to any Lender, as amended, modified, supplemented, reissued or replaced from time to time.

**“Capital Lease Obligations”** means, at any time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP; provided that notwithstanding the foregoing, for the purposes hereof, “capital lease” shall not include: (i) leases of office space, or (ii) any present or future lease that would have been characterized as an operating lease under generally accepted accounting principles as in effect in Canada on December 31, 2010.

**“Cash Management Arrangements”** means any arrangement entered into or to be entered into by some or all of the Loan Parties with the Operating Lender for the purpose of creating secured centralized operating accounts for the Loan Parties under which all Cash Management Obligations shall rank *pari passu* with the Obligations owed by the Loan Parties to the Lenders under the Loan Documents.

**“Cash Management Obligations”** means any and all Obligations of the Loan Parties resulting from or in connection with any Cash Management Arrangements.

**“CDOR Rate”** means the arithmetic average of the yields to maturity for bankers’ acceptances accepted by each Lender which is listed on Schedule I to the *Bank Act* (Canada) quoted on the Reuter’s Canadian Dealer Offered Rate screen, at 10:00 a.m., (Toronto time) on the applicable date on which an Advance shall take place, for bankers’ acceptances having a term similar to the term requested for each Bankers’ Acceptance issued pursuant to the applicable Advance.

**“CDS”** has the meaning attributed to it in Section 9.2(c).

**“Change of Control”** means if, after the Closing Date, any Person, other than a Loan Party or any Permitted Holder, acquires, directly or indirectly, alone or in concert with other Persons, over a period of time or at any one time, Voting Securities in the capital of the Borrower (i) aggregating in excess of 50% of all of the then issued and outstanding Voting Securities of the Borrower or (ii) entitling such Person(s) to elect a majority of the board of directors of the Borrower.

**“CIBC”** means Canadian Imperial Bank of Commerce and its successors.

**“Claim”** has the meaning attributed to it in Section 20.5.

**“Closing Certificate”** means a certificate delivered by an officer the Borrower attaching the organizational documents, authorizing resolutions, an incumbency of the officers of the Borrower and such other certifications and/or attachments as the Agent may reasonably request, in a form acceptable to the Agent, acting reasonably.

**“Closing Date”** means, notwithstanding the date of execution hereof and subject to the satisfaction of the conditions precedent set forth in Section 2.1, June 27, 2013 or such later date as may be agreed upon in writing between the Borrower and all the Lenders.

**“Closing Date Fees”** means commitment, agency and other fees to be paid to the Agent for its benefits or for the benefit of the Lenders on the Closing Date in the amounts agreed to between the Parties pursuant to the fee letters dated April 22, 2013.

“**Closing Opinion**” means the opinion of the Borrower’s Counsel dated as of the Closing Date, addressed to the Agent and its legal counsel as agreed to by the Agent and its legal counsel, each acting reasonably.

“**Commitment Amount**” means the aggregate of the Operating Facility Commitment Amount and the Syndicated Facility Commitment Amount.

“**Commodity Swap Contracts**” has the meaning attributed to it in Section 13.3(d).

“**Companies’ Creditors Arrangement Act (Canada)**” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, including the regulations made and, from time to time, in force under that Act.

“**Compliance Certificate**” means a certificate of the Borrower substantially in the form of Schedule D, with the blanks completed.

“**Consolidated Debt**” means all indebtedness which would, in accordance with GAAP, be classified upon a consolidated balance sheet of the Borrower as Indebtedness of the Borrower and its Subsidiaries and, whether or not so classified, shall include (without duplication and on a consolidated basis):

- (a) indebtedness for borrowed money (which for certainty excludes accounts payable incurred in the ordinary course of business);
- (b) obligations arising pursuant to bankers’ acceptance facilities and commercial paper programs, and under letters of credit, letters of guarantee or any other similar instruments (supporting obligations which would otherwise constitute Consolidated Debt within the meaning of this definition) or indemnities issued in connection therewith;
- (c) obligations under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Indebtedness of any other Person or the obligations of any other Person which would otherwise constitute Consolidated Debt within the meaning of this definition, and all other obligations incurred for the purpose of, or having the effect of, providing Financial Assistance to another Person in respect of the Indebtedness or such other obligations, including endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business);
- (d) all obligations of any other Person which are secured by a Lien on any of the assets of any of the Borrower and its Subsidiaries (including the Obligations); and
- (e) all indebtedness representing the deferred purchase price of any property or services, and all obligations created or arising under any conditional sales agreement or other title retention agreement (but excluding operating leases), but excluding any deferred premiums payable on existing Swaps; and
- (f) Capital Lease Obligations.



**“Consolidated Debt to EBITDA Ratio”** means, as at the end of each Fiscal Quarter, the ratio of (a) Consolidated Debt as at the last day of such Fiscal Quarter to (b) then aggregate amount of Consolidated EBITDA for the last four consecutive Fiscal Quarters then ended. For the purpose of determining the foregoing ratio prior to the end of the first four full Fiscal Quarters after the Closing Date, Consolidated EBITDA will be determined as follows: as at the end of the first full Fiscal Quarter after the Closing Date, the Consolidated EBITDA multiplied by four; (b) as at the end of the second full Fiscal Quarter after the Closing Date, the Consolidated EBITDA for such two Fiscal Quarters multiplied by two; (c) as at the end of the third full Fiscal Quarter after the Closing Date, the Consolidated EBITDA for such three Fiscal Quarters, multiplied by 4/3; and (d) as at the end of the fourth full Fiscal Quarter after the Closing Date and thereafter, the Consolidated EBITDA for the then most recent rolling four quarter period.

**“Consolidated EBITDA”** means, without duplication, in respect of any period of determination and as determined on a consolidated basis in respect of the Borrower, Consolidated Net Income for such period, *plus* to the extent deducted in the calculation of such Consolidated Net Income:

- (a) Consolidated Interest Expense;
- (b) provision for income taxes;
- (c) all non-cash items, including depreciation, depletion, amortization (including amortization of goodwill and other intangibles), accretion, deferred income taxes, foreign currency obligations, non-cash losses resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Loan Parties, non-cash compensation expenses, provisions for impairment of oil and gas assets and any other non-cash expenses for such period;
- (d) any extraordinary and non-recurring losses;
- (e) all exploratory costs (including, for certainty, lease rentals, geological, geophysical and other expenses, and in respect of wells that did not find proven reserves) to the extent such costs are deducted in the calculation of Consolidated Net Income for such period; and
- (f) the net amount of losses deducted in determining Consolidated Net Income resulting from the disposition of assets (excluding inventory), provided, however, if there is a net gain resulting from the disposition of assets (excluding inventory) which is added in determining Consolidated Net Income, such amount shall be deducted from Consolidated Net Income in determining Consolidated EBITDA;

*less* to the extent included in the calculation of such Consolidated Net Income:

- (g) any extraordinary and non-recurring income and gains;
- (h) non-cash gains resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Loan Parties for such period; and
- (i) all other non-cash gains added in determining Consolidated Net Income.

Consolidated EBITDA will be adjusted for Material Acquisitions and Material Dispositions and to include or exclude, as applicable, Consolidated EBITDA associated with any such acquisition or disposition made within the applicable period, as if that acquisition or disposition had been made at the beginning of such period (in a manner satisfactory to the Agent, acting reasonably).

**“Consolidated Interest Expense”** means without duplication, for any period of determination and as determined in accordance with GAAP on a consolidated basis in respect of the Borrower, capitalized interest for such period plus interest expense for such period, including interest charges, the interest component of Capital Lease Obligations, discounts, stamping fees and issuance fees payable in respect of bankers’ acceptances and letters of credit and similar instruments, discounts in respect of any securitization programs and arrangement, commitment, agency, standby or similar fees, and the net amount payable in respect of any Interest Rate Swap Contracts.

**“Consolidated Net Income”** means, for any period of determination and as determined in accordance with GAAP on a consolidated basis with respect to the Borrower, the net income or loss, as applicable, of the Borrower after income taxes, but excluding extraordinary items, as shown on the Borrower’s consolidated statement of income and accumulated earnings for such period.

**“Consolidated Tangible Assets”** means with respect to the Borrower the book value of its capital assets, net of any accumulated depreciation, intangible assets and minority interests, as shown on the consolidated balance sheet of the Borrower determined in accordance with GAAP.

**“Contaminants”** means those substances, pollutants, wastes and special wastes which are defined as contaminants, hazardous, toxic, or a threat to public health or to the Environment under any applicable Environmental Law, including any radioactive materials, urea formaldehyde foam insulation, asbestos or polychlorinated biphenyls (PCB’s).

**“Contributing Lender”** has the meaning ascribed thereto in Section 5.7(b).

**“Conversion”** means in relation to an Advance, a conversion of an Advance into another type of Advance made pursuant to the Agreement.

**“Credit Facilities”** means, collectively, the Operating Facility and the Syndicated Facility and **“Credit Facility”** means any one of them.

**“Criminal Code (Canada)”** means the *Criminal Code*, R.S.C. 1985, c. C-46, including the regulations made and, from time to time, in force under that Act.

**“Default”** means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

**“Defaulting Lender”** means any Lender or, in the case of paragraph (e) below, a Lender’s parent (being any person that directly or indirectly controls a Lender where control has the same meaning as in the definition of Affiliate):

- (a) that is a Non-Paying Lender;
- (b) that has failed to fund any payment or its portion of any Advances required to be made by it hereunder;
- (c) that has notified the Borrower (verbally or in writing) that it does not intend to or is unable to comply with any of its funding obligations under this Agreement or has made a public statement to that effect or to the effect that it does not intend to or is unable to fund advances generally under credit arrangements to which it is a party;
- (d) that has failed, within 3 Banking Days after request by the Borrower, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Advances; or
- (e) that becomes insolvent, has been deemed insolvent by a court of competent jurisdiction or any other Administrative Body, or becomes the subject of bankruptcy or insolvency proceedings.

**“Departing Lender”** has the meaning ascribed thereto in Section 19.16.

**“Depositary Bills and Notes Act (Canada)”** or **“DBNA”** means the *Depositary Bills and Notes Act (Canada)*, S.C. 1998, c. 13, including the regulations made and, from time to time, in force under that Act.

**“Director”** means a director of a corporation and reference to action by the directors or board of directors when used with respect to a corporation means action by the directors of such corporation as a board or, whenever duly empowered, by an executive committee or any other duly authorized committee of the board.

**“Discount Fraction”** means:

$$\frac{1}{1 + (\text{the BA Discount Rate (expressed as a decimal)} \times \text{the number of days in the term of the Bankers' Acceptance divided by 365})}$$

**“Discount Proceeds”** means the actual amount (based on the BA Discount Rate) received by the Borrower from the sale of a Bankers’ Acceptance hereunder without deduction for the stamping fee and which, in the case of a purchase of Bankers’ Acceptances by the Lenders, means an amount equal to the face amount of the Bankers’ Acceptances multiplied by the Discount Fraction (rounded up or down to the fifth decimal place with .000005 being rounded up).

**“Distribution”** means any:

- (a) payment of any dividend on or in respect of any shares, units or other ownership interests of any class in the capital of a Loan Party (including any thereof acquired through the exercise of warrants or rights of conversion, exchange or purchase);
- (b) redemption, retraction, purchase or other acquisition or retirement, in whole or in part, of shares, units or other ownership interests of any class in the capital of a Loan Party (including any thereof acquired through the exercise of warrants or rights of conversion, exchange or purchase);
- (c) payment of principal, interest or other amounts in whole or in part, of any Indebtedness of a Loan Party (including any Capital Lease Obligations and any Indebtedness incurred or assumed by a Loan Party pursuant to an operating lease);

to (in the case of paragraphs (a) and (c) of this definition) or by or from (in the case of paragraph (b) of this definition) any shareholder or any Affiliate of a shareholder of a Loan Party (other than a Lender), whether made or paid in or for cash, property or both, or

- (d) transfer of any property for consideration of less than fair market value by a Loan Party to any shareholder or to any Affiliate of a shareholder of a Loan Party.

**“Draft”** has the meaning attributed to it in Section 9.2(b).

**“Drawdown”** means a borrowing or credit of funds by way of Advances, other than an Advance by way of Rollover or Conversion.

**“Drawdown Date”** means the date specified in a Notice of Borrowing as the date on which a Drawdown will occur and which date will be a Banking Day, and which in the case of a LIBOR Based Loan will be a LIBOR Banking Day.

**“Effective Date”** has the meaning attributed to it in Section 3.9(d).

**“Election Period”** has the meaning attributed to it in Section 3.3(b).

**“Environment”** means all components of the earth, including all layers of the atmosphere, air, land (including all underground spaces and cavities and all lands submerged under water), soil, water (including surface and underground water), organic and inorganic matter and living organisms, and the interacting natural systems that include the components referred to in this definition.

**“Environmental Certificate”** means the certificate of the Borrower substantially in the form of Schedule C, with the blanks completed.

**“Environmental Law”** means any Law relating, in whole or in part, to the protection or enhancement of the Environment, including occupational safety, product liability, public health, public safety and transportation or handling of dangerous goods.

“**Escrow Funds**” has the meaning attributed to it in Section 9.5.

“**Event of Default**” means an event specified in Section 16.1.

“**Excess**” has the meaning attributed to it in Section 5.8.

“**Exchange Rate Swap Contracts**” has the meaning attributed to it in Section 13.3(b).

“**Existing Swaps**” means, collectively, the hedging transactions entered into between the Borrower and CIBC in respect of oil and natural gas, as applicable, as set out in Schedule K.

“**Extension**” has the meaning attributed to it in Section 3.3(a).

“**Extension Notice**” has the meaning attributed to it in Section 3.3(d).

“**Federal Funds Rate**” means, for any day, the rate of interest per annum set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, the “**H.15(519)**”) for such day opposite the caption “Federal Funds (Effective)”. If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate of interest per annum set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any successor, the “**Composite 3:30 p.m. Quotations**”) for such day under the caption “Federal Funds Effective Rate”. If on any relevant day the appropriate rate per annum for such day is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean of the rates per annum for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York time) on that day by each of three major brokers of Federal funds transactions in New York City, selected by the Agent in its sole discretion, acting reasonably.

“**Federal Reserve Board**” or “**Federal**” means the Board of Governors of the Federal Reserve System of the United States of America or any successor thereof.

“**Financial Assistance**” means with respect of any Person and without duplication, any loan, guarantee, indemnity, assurance, acceptance, extension of credit, loan purchase, share purchase, equity or capital contribution, investment or other form of direct or indirect financial assistance or support of any other Person or any obligation (contingent or otherwise) primarily for the purpose of enabling another Person to incur or pay any Indebtedness or to comply with agreements relating thereto or otherwise to assure or protect creditors of the other Person against loss in respect of Indebtedness of the other Person and includes any guarantee of or indemnity in respect of the Indebtedness of the other Person and any absolute or contingent obligation to (directly or indirectly):

- (a) advance or supply funds for the payment or purchase of any Indebtedness of any other Person;

- (b) purchase, sell or lease (as lessee or lessor) any property, assets, goods, services, materials or supplies primarily for the purpose of enabling any Person to make payment of Indebtedness or to assure the holder thereof against loss;
- (c) guarantee, indemnify, hold harmless or otherwise become liable to any creditor of any other Person from or against any losses, liabilities or damages in respect of Indebtedness;
- (d) make a payment to another for goods, property or services regardless of the non-delivery or non-furnishing thereof to a Person; or
- (e) make an advance, loan or other extension of credit to or to make any subscription for equity, equity or capital contribution, or investment in or to maintain the capital, working capital, solvency or general financial condition of another Person.

The amount of any Financial Assistance is the amount of any loan or direct or indirect financial assistance or support, without duplication, given, or all Indebtedness of the obligor to which the Financial Assistance relates, unless the Financial Assistance is limited to a determinable amount, in which case the amount of the Financial Assistance is the determinable amount.

**“Financial Letter of Credit” or “Financial LC”** means a stand-by Letter of Credit if it serves as a payment guarantee of the Borrower’s financial obligations and is treated as a direct credit substitute for purposes of the Capital Adequacy Guidelines.

**“First Party”** has the meaning attributed to it in Section 20.4(a).

**“Fiscal Quarter”** means any fiscal quarter of the Borrower.

**“Fiscal Year”** means any fiscal year of the Borrower.

**“Floor Rate”** has the meaning attributed to it in the definition of Canadian Prime Rate.

**“Former Lender”** has the meaning ascribed thereto in Section 4.8.

**“GAAP”** means, in the case of the Borrower, generally accepted accounting principles which are in effect from time to time in Canada and which as of the Closing Date is IFRS.

**“Governmental Acts”** has the meaning attributed to it in Section 10.6(a)(ii).

**“Hedging Agreements”** has the meaning attributed to it in Section 13.3(e).

**“Hostile Acquisition”** means an acquisition, which is required to be reported to applicable securities regulatory authorities, of shares of a corporation where the board of directors of that corporation has not approved such acquisition nor recommended to the shareholders of the corporation that they sell their shares pursuant to the proposed acquisition or of units of a trust where the trustee or manager or administrator of that trust has not approved such acquisition nor recommended to the unitholders of the trust that they sell their units pursuant to the proposed

acquisition or of units of a partnership where the board of directors of the general partner(s) thereof has not approved such acquisition nor recommended to the partners of the partnership that they sell their units pursuant to the proposed acquisition.

**"IFRS"** means International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.

**"includes"** means "includes without limitation" and **"including"** means "including without limitation".

**"Income Tax Act (Canada)"** means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), including the regulations made and, from time to time, in force under that Act.

**"Indebtedness"** means, without duplication, the aggregate amount of all obligations, liabilities and indebtedness of a Person which would be classified under GAAP as indebtedness for borrowed money upon the consolidated balance sheet of such Person, including all long-term borrowings, the current portion of long-term borrowings, short-term borrowings, Capital Lease Obligations plus all obligations of such Person arising in respect of a Hedging Agreement that are due and owing and all obligations, contingent or otherwise, of any of the foregoing arising from any guarantee made by such Person in respect of any of the foregoing.

**"Indemnified Parties"** has the meaning attributed to it in Section 20.5.

**"Individual Commitment Amount"** means, from time to time, in respect of a Lender, that portion of the Commitment Amount which such Lender has severally agreed to make available to the Borrower in accordance with the terms and conditions of the Agreement, subject to adjustment pursuant to the terms of the Agreement.

**"Individual Syndicated Facility Commitment Amount"** means, from time to time, in respect of a Syndicated Facility Lender that portion of the Syndicated Facility Commitment Amount which such Lender has severally agreed to make available to the Borrower in accordance with the terms and conditions of the Agreement, subject to adjustment pursuant to the terms of the Agreement.

**"Interest Act (Canada)"** means the *Interest Act*, R.S.C. 1985, c. I-15, including the regulations made and, from time to time, in force under that Act.

**"Interest Rate Swap Contracts"** has the meaning attributed to it in Section 13.3(c).

**"ISDA Master Agreement"** means the 1992 International Swaps and Derivatives Association, Inc. Master Agreement (Multi Currency-Cross Border) as from time to time amended, restated or replaced by the International Swaps and Derivatives Association, Inc. and as used in this Agreement in relation to Swap Documents means the form of such agreement as entered into between a Loan Party and the applicable Swap Lender.

**"ISP98"** means the International Standby Practices ISP98, as published by the International Chamber of Commerce and in effect from time to time.

**"Judgment Interest Act (Alberta)"** means the *Judgment Interest Act*, R.S.A. 2000, c. J-1, including the regulations made and from time to time in force under that Act.

**"Law"** means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, any judgments, orders, writs, injunctions, decisions, rulings, decrees and awards of any Administrative Body, and any policies, voluntary restraints, practices or guidelines of any Administrative Body, and including any principles of common law and equity.

**"Lender BA Suspension Notice"** has the meaning attributed to it in Section 9.6.

**"Lender LIBOR Suspension Notice"** has the meaning attributed to it in Section 8.3(c).

**"Lenders"** means, initially, the Syndicated Facility Lenders and the Operating Lender identified in Schedule B, and thereafter, each Person which may become a Lender under this Agreement, as a lender, by executing and delivering to the Agent an Assignment, and each of their respective successors and permitted assigns and, unless expressly stated otherwise, and **"Lender"** means any one of them in such capacity.

**"LC Application"** means an application on the Operating Lender's standard form of letter of credit application submitted to the Operating Lender by the Borrower requesting the Operating Lender to issue a Letter of Credit hereunder subject to such reasonable changes thereto as are requested by the Borrower and agreed to by the Operating Lender, each acting reasonably, in order to make the application and the Letter of Credit consistent with this Agreement.

**"Letter of Credit Fee"** has the meaning attributed to it in Section 3.9(a)(v).

**"Letters of Credit"** means letters of credit or letters of guarantee in Canadian Dollars or U.S. Dollars issued under the Operating Facility in accordance with Article 10.

**"LIBOR"** means the rate per annum equal to the rate determined by the Lenders to be the offered rate that appears on the page of the LIBOR 01 screen (or any successor thereto) that displays the average British Banker Association Interest Settlement Rate for deposits in U.S. Dollars (for delivery on the first day of the relevant LIBOR Period at 11:00 a.m. (London time), two (2) LIBOR Banking Days before the first day of the applicable LIBOR Period in an amount substantially equal to the LIBOR Based Loan and for a period equal to such LIBOR Period.

**"LIBOR Banking Day"** means any Banking Day on which commercial banks are open for international business (including dealings in U.S. Dollar deposits in the London interbank market) in London, England.

**"LIBOR Based Loan"** means an Advance in U.S. Dollars which bears interest at a rate based on the LIBOR.

**"LIBOR Period"** means a period of 1, 2, 3 or 6 months selected by the Borrower and readily available in the London Interbank Eurodollar Market, or such other period as may be agreed to by the Lenders.



**“Lien”** means any mortgage, lien, pledge, charge (whether fixed or floating), security interest, conditional sale or title retention agreement (other than operating leases in respect of tangible personal property which are not in the nature of financing transactions), trust or deposit arrangements in the nature of a security interest or other encumbrance of any kind, contingent or absolute but excludes any contractual right of set-off created in the ordinary course of business and any writ of execution, or other similar instrument, arising from a judgment relating to the non-payment of Indebtedness.

**“Loan Documents”** means the Agreement and any other instruments or agreements entered into by the Parties relating to the Credit Facility, including the Security, and any document or agreement resulting from the operation of Section 4.1.

**“Loan Parties”** means, as at the Closing Date, the Borrower, and thereafter any Subsidiary of the Borrower which the Borrower deems, by notice to the Agent in accordance with Section 14.1, to be a Restricted Subsidiary (provided that upon the designation of any such entity as a Non-Restricted Subsidiary in accordance with Section 14.1, such entity shall, from and after the date of such designation, cease to be a Loan Party) or any Subsidiary of the Borrower which holds any of the Borrowing Base Properties.

**“Majority Lenders”** means, if (a) there are 3 or less Lenders, all of the Lenders, or (b) if there are more than 3 Lenders, Lenders holding in aggregate (i) at least 66 ⅔% of the Commitment Amount, or (ii) during the continuance of an Event of Default, at least 66 ⅔% of the Aggregate Principal Amount owing under the Credit Facilities.

**“Material Acquisition”** means an acquisition by a Loan Party of shares or other assets from a third party completed in the then immediately preceding four Fiscal Quarters which results in net proceeds in excess of the Threshold Amount.

**“Material Adverse Effect”** means a material adverse effect on:

- (a) the Loan Parties’ ability to perform their respective material obligations under the Loan Documents or the validity or enforceability of a material provision of the Loan Documents; or
- (b) the property, business, operations, assets, liabilities or financial condition of the Loan Parties, taken as a whole,

provided that a change in commodity prices of Petroleum Substances shall not be regarded as an event which by itself constitutes or could reasonably be expected to constitute a Material Adverse Effect.

**“Material Dispositions”** means a sale, disposition or other transfer of assets or shares by a Loan Party to a third party (to the extent permitted hereunder) completed in the then immediately preceding four Fiscal Quarters which results in net proceeds in excess of the Threshold Amount.

**“Maturity Date”** means the date, which must be a Banking Day, or a LIBOR Banking Day with respect to a LIBOR Based Loan, on which the applicable LIBOR Period expires in respect of a LIBOR Based Loan or a Bankers’ Acceptance, or a BA Equivalent Loan, matures.

**“Net Cash Proceeds”** means, the remainder of (a) the gross cash proceeds received by any Loan Party from any Borrowing Base Dispositions *less* (b) (i) underwriter discounts and commissions, (ii) investment banking fees, (iii) legal, accounting and other professional fees and expenses, and (iv) other usual and customary transaction costs satisfactory to the Majority Lenders, acting reasonably, *less* (c) Taxes; in each case, only to the extent paid or payable by a Loan Party in cash and related to such Borrowing Base Disposition.

**“Net Proceeds”** means the Discount Proceeds of a Bankers’ Acceptance (or in the case of a BA Equivalent Loan, the amount of such BA Equivalent Loan), less the applicable BA Stamping Fee as provided hereunder in respect thereof.

**“New Rules”** has the meaning attributed to it in Section 11.1(c).

**“Non-Agreeing Lender”** has the meaning attributed to it in Section 3.3(b).

**“Non-BA Lender”** means a Lender that (a) is not a bank chartered under the *Bank Act (Canada)*; or (b) has notified the Agent in writing that it is unwilling or unable to accept bankers’ acceptance drafts.

**“Non-Consenting Lender”** has the meaning ascribed thereto in Section 19.16.

**“Non-Financial Letter of Credit”** or **“Performance LC”** means a Letter of Credit that is not a Financial Letter of Credit.

**“Non-Participating Lender”** has the meaning attributed to it in Section 6.3.

**“Non-Paying Lender”** has the meaning ascribed thereto in Section 5.7.

**“Non-Restricted Subsidiary”** means any Subsidiary of the Borrower which is not a Restricted Subsidiary.

**“Noon Rate”** means, in relation to the conversion of one currency into another currency, the rate of exchange for such conversion as quoted by the Bank of Canada (or, if not so quoted, the spot rate of exchange quoted for wholesale transactions made by the Agent at Toronto, Ontario at approximately noon (Toronto time)).

**“Notice of Borrowing”** means, in relation to Advances, a notice by the Borrower to the Agent substantially in the form of Schedule F, with the blanks completed, as applicable.

**“Notice of Rollover or Notice of Conversion”** means, in relation to Advances, a notice by the Borrower to the Agent substantially in the form of Schedule G, with the blanks completed.

**“Obligations”** means, as the context requires, without duplication: (a) the aggregate amount of all obligations, liabilities and Indebtedness, contingent or otherwise, of a Loan Party to the Agent or any Lender or Swap Lender under the Loan Documents and the Swap Documents (including, for greater certainty, the Swap Indebtedness); or (b) with respect to a Credit Facility, all of the foregoing outstanding under such Credit Facility.

**“Operating Facility”** means the operating facility established from time to time in favour of the Borrower by the Operating Lender pursuant to Section 3.2.

**“Operating Facility Commitment Amount”** means Cdn. \$15,000,000 as it may be changed from time to time in accordance with the terms hereof.

**“Operating Lender”** means, initially, CIBC, or any other Lender which from time to time provides the Operating Facility to the Borrower.

**“Original Currency”** has the meaning attributed to it in Section 20.4(a).

**“Participant”** has the meaning attributed to it in Section 18.4.

**“Participating Lender”** has the meaning attributed to it in Section 6.3.

**“Parties”** means the Borrower, the Agent and the Lenders and their respective successors and permitted assigns, and **“Party”** means any one of the Parties.

**“Pension Plan”** means any retirement or pension benefit plan that is established by a Person for the benefit of its employees that requires such Person to make periodic payments or contributions.

**“Permitted Contest”** means action taken by or on behalf of a Loan Party in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Lien, provided that:

- (a) the Person to which the Tax, claim or Lien being contested is relevant (and, in the case of a Loan Party, the Borrower on a consolidated basis) has established reasonable reserves therefor if and to the extent required by GAAP;
- (b) proceeding with such contest does not have, and could not reasonably be expected to have, a Material Adverse Effect; and
- (c) proceeding with such contest will not create a material risk of sale, forfeiture or loss of, or interference with the use or operation of, a material part of the proved reserves of Petroleum Substances of the applicable Loan Party.

**“Permitted Dispositions”** means any:

- (a) sale or disposition of P&NG Rights (and related tangibles) resulting from any pooling or unitization entered into in the ordinary course of business and in accordance with sound industry practice when, in the reasonable judgment of the Borrower, it is necessary to do so in order to facilitate the orderly exploration, development or operation of such P&NG Rights;
- (b) sale or disposition in the ordinary course of business and in accordance with sound industry practice of tangible personal property forming part of the Borrower’s production facilities that is obsolete, no longer useful for its intended purpose or being replaced in the ordinary course of business;

- (c) abandonment or surrender of uneconomic Borrowing Base Properties in accordance with sound industry practice;
- (d) sale or disposition of current production from P&NG Rights made in the ordinary course of business;
- (e) sales or dispositions of assets other than Borrowing Base Properties made in the ordinary course of business;
- (f) Borrowing Base Dispositions, subject to Section 3.10(b)(i); and
- (g) sales or dispositions of assets between Loan Parties.

**“Permitted Distributions”** means:

- (a) any Distribution by a Loan Party to another Loan Party who owns the shares or other units or holds Indebtedness thereof; and
- (b) any Distribution to the extent payable in common shares of any Loan Party.

**“Permitted Encumbrances”** means:

- (a) undetermined or inchoate Liens arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to Law against any Loan Party or in respect of which no steps or proceedings to enforce such Lien have been initiated or which relate to obligations which are not due or delinquent or if due or delinquent, any Lien which a Loan Party is contesting at the time by a Permitted Contest;
- (b) Liens incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or joint operation of oil and gas properties or related production or processing facilities or the transmission of Petroleum Substances as security in favour of any other Person conducting the exploration, development or operation of the property to which such Liens relate for any Loan Party’s portion of the costs and expenses of such exploration, development, operation or transmission, provided such costs or expenses are not due or delinquent or if due or delinquent, any Lien which a Loan Party is contesting at the time by a Permitted Contest;
- (c) to the extent a Lien is created thereby, a sale or disposition of oil and gas properties or encumbrance granted resulting from any pooling or unitization agreement entered into in the ordinary course of business when, in the applicable Loan Party’s reasonable judgment, it is necessary to do so in order to facilitate the orderly exploration, development or operation of such properties, provided that, the resulting pooled or unitized interest is proportional (either on an acreage or reserve basis) to the interest contributed by it and is not materially less than the applicable Loan Party’s direct or indirect interest in such oil and gas properties

prior to such pooling or unitization and its obligations in respect thereof are not greater than its proportional share based on the interest acquired by it;

- (d) to the extent a Lien is created thereby, farmout interests or overriding royalty interests, net profit interests, reversionary interests and carried interests in respect of any Loan Party's P&NG Rights that are or were entered into with or granted to arm's length third parties in the ordinary course of business and in accordance with sound industry practice;
- (e) Liens for penalties arising under non-participation provisions of operating agreements in respect of any Loan Party's P&NG Rights or any related facilities, if such Liens could not reasonably be expected to have a Material Adverse Effect;
- (f) easements, rights-of-way, servitudes, zoning or other similar rights or restrictions in respect of land (including rights-of-way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) which, either alone or in the aggregate, could not reasonably be expected to have a Material Adverse Effect;
- (g) any Lien or trust arising in connection with worker's compensation, employment insurance, pension and employment Law;
- (h) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired or by any statutory provision to terminate any such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;
- (i) all reservations in the original grant from the Crown of any lands and premises or any interests therein and all statutory exceptions, qualifications and reservations in respect of title;
- (j) any right of first refusal in favour of any Person granted in the ordinary course of business with respect to all or any of the P&NG Rights or related facilities;
- (k) public and statutory Liens not yet due and similar Liens arising by operation of Law;
- (l) the Security;
- (m) Liens for Taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is contested at the time by a Permitted Contest;
- (n) Liens under or pursuant to any judgment rendered, or claim filed, against a Loan Party, which such Loan Party is contesting at the time by a Permitted Contest;

- (o) Liens granted to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or other authority in connection with the operations of the Loan Parties, all in the ordinary course of its business which individually or in the aggregate do not materially detract from the value of the asset concerned or materially impair its use in the operation of the business of the Loan Parties, taken as a whole;
- (p) bankers' liens, rights of set-off and other similar Liens existing solely with respect to cash on deposit in one or more accounts maintained by the Loan Parties, in each case, granted in the ordinary course of business in favour of a Lender or Lenders with which such accounts are maintained, securing amounts owing to such Lender or Lenders with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements;
- (q) pledges or deposits to secure performance of (i) bids, tenders, contracts (other than contracts for the payment of money) or (ii) leases of real property, in each case, to which a Loan Party is a party;
- (r) any Lien from time to time which is consented in writing to by the Majority Lenders;
- (s) any other Liens (including Purchase Money Liens and capital leases) which are not otherwise Permitted Liens; provided that the aggregate principal amount of Indebtedness or other obligations secured thereby does not exceed the Threshold Amount; and
- (t) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Lien referred to in the preceding paragraphs (a) to (s) inclusive of this definition, so long as any such extension, renewal or replacement of such Lien is limited to all or any part of the same property that secured the Lien extended, renewed or replaced (plus improvements on such property) and the Indebtedness, liability or obligation secured thereby is not increased.

**"Permitted Holders"** means WP Investment II BV or any of their respective Affiliates and any fund managed or administrated by any such Person or any of their Affiliates.

**"Permitted Indebtedness"** means:

- (a) Obligations of a Loan Party under the Credit Facilities or any of the Loan Documents;
- (b) any other Indebtedness of a Loan Party secured by Permitted Encumbrances;
- (c) any unsecured Indebtedness of a Loan Party in an amount not to exceed the Threshold Amount;

- (d) Permitted Swap Indebtedness;
- (e) any Indebtedness owing by one Loan Party to another Loan Party which is postponed and subordinated to the Obligations in a manner satisfactory to the Agent, acting reasonably; and
- (f) Cash Management Obligations.

**“Permitted Swap Indebtedness”** means Swap Indebtedness permitted by the provisions of Section 13.3(b), (c), (d) and (e), provided that if a Swap Lender does not have actual knowledge that such Swap Indebtedness was not permitted under such Section at the time the applicable Hedging Agreement was entered into by such Swap Lender, then such Swap Indebtedness will be deemed to be a Permitted Swap Indebtedness for purposes of Section 16.4.

**“Person”** means an individual, a partnership, a corporation, a company, a trust, an unincorporated organization, a union, a government or any department or agency thereof (collectively an “entity”) and the heirs, executors, administrators, successors, or other legal representatives, as the case may be, of such entity.

**“Petroleum Substances”** means petroleum, natural gas, natural gas liquids, bitumen, related hydrocarbons and any and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing.

**“P&NG Rights”** means all of the right, title, estate and interest, whether contingent or absolute, legal or beneficial, present or future, vested or not, and whether or not an “interest in land”, of any Loan Party at such time in and to any, or such as are stipulated, of the following, by whatever name the same are known:

- (a) rights to explore for, drill for, produce, take, save or market Petroleum Substances from or allocated to its lands or lands with which the same have been pooled or unitized;
- (b) rights to a share of the production of Petroleum Substances from or allocated to its lands or lands with which the same have been pooled or unitized;
- (c) rights to a share of the proceeds of, or to receive payments calculated by reference to the quantity or value of, the production of Petroleum Substances from or allocated to its lands or lands with which the same have been pooled or unitized;
- (d) rights of any Loan Party in lands or documents of title related thereto as such rights relate to the production of Petroleum Substances, including leases, subleases, licenses, permits, reservations, rights and privileges; and
- (e) rights to acquire any of the above rights described in paragraphs (a) through (d) of this definition,

and includes interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests and other economic interests.

**"Pricing Table"** means the pricing table labeled "Pricing Table" set forth in Section 3.9(a).

**"Principal Repayment"** means the repayment by or for and on behalf of the Borrower to the Lenders of all or a portion of any Aggregate Principal Amount under any Credit Facility.

**"Proved Non-Producing Properties"** has the same meaning as Proved Producing Properties except such properties are not in commercial production due to lack of facilities and/or markets.

**"Proved Producing Properties"** means the P&NG Rights to which are attributed Proved Producing Reserves and which are identified as such by an economic reserve and evaluation report delivered to the Agent by the Borrower as required under this Agreement.

**"Proved Producing Reserves"** means, as determined by the Lenders in accordance with their usual and customary practices, those oil and gas reserves estimated as recoverable under current technology and existing economic conditions from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, mining, geological, geophysical and engineering data, including reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir, and which, in any case, are actually on production.

**"Purchase Money Lien"** means a Lien, whether given to a vendor, lender or any other Person, securing Indebtedness assumed or incurred as, or to provide, all or part of the purchase price or other acquisition cost of property, other than P&NG Rights, which Lien is limited exclusively to such property and any proceeds thereof and any extension, renewal, refinancing or replacement thereof.

**"Rateable Portion"** means, at any time and from time to time with respect to each Lender and each Credit Facility and subject to adjustment pursuant to Sections 5.7(c), 6.3 and 9.4(e):

- (a) in respect of the Syndicated Facility, the proportion of the Individual Commitment Amount of each Syndicated Facility Lender under such Credit Facility relative to the Syndicated Facility Commitment Amount of all Syndicated Facility Lenders under such Credit Facility;
- (b) in respect of the Operating Facility, the Rateable Portion for the Operating Lender shall be 100% unless the Operating Lender has assigned a portion of its interest in the Operating Facility pursuant to Article 18 in which case the Rateable Portion shall be determined in accordance with the percentage interest held by each Operating Lender in the Operating Facility; and
- (c) in respect of all Credit Facilities, the portion of the Individual Commitment Amount of a Lender relative to the Commitment Amount of all Lenders,



provided that in respect of all Credit Facilities, the Rateable Portion of a Lender after an Event of Default has occurred and is continuing shall be the portion of the Aggregate Principal Amount owing to such Lender relative to the Aggregate Principal Amount owing to all Lenders.

“**Release**” includes releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping.

“**Request for Offer of Extension**” means a request by the Borrower for an offer by the Lenders to extend the Termination Date pursuant to Section 3.3, substantially in the form of Schedule E executed by a senior officer of the Borrower.

“**Request Period**” has the meaning attributed to it in Section 3.3(a).

“**Resignation Notice**” has the meaning attributed to it in Section 19.9.

“**Restricted Subsidiary**” means any Subsidiary of the Borrower that has been designated as a “Restricted Subsidiary” by the Borrower. As of the Closing Date, there are no Restricted Subsidiaries.

“**Rollover**” means, with respect to an Advance:

- (a) in relation to a LIBOR Based Loan, the continuation of all or any portion of such LIBOR Based Loan for an additional LIBOR Period subsequent to the initial or any subsequent LIBOR Period applicable thereto; and
- (b) in relation to maturing Bankers’ Acceptances, the issuance of new Bankers’ Acceptances in respect of all or any portion of such Bankers’ Acceptances at their Maturity Date.

“**Second Currency**” has the meaning attributed to it in Section 20.4(a).

“**Security**” has the meaning attributed to it in Section 4.1 and includes any other Lien hereafter granted to secure the payment of Obligations in connection with the Credit Facility and any Swap Indebtedness.

“**Specified Representations**” means the representations and warranties set forth in Sections 12.1(a), (b), (c), (d) and (r).

“**Subsidiary**” means any Person of which more than 50% of the outstanding Voting Securities are owned, directly or indirectly by or for a Loan Party, provided that the ownership of such securities confers the right to elect at least a majority of the board of directors of such Person, or a majority of Persons serving similar roles, and includes any legal entity in like relationship to a Subsidiary.

“**Successor Agent**” has the meaning attributed to it in Section 19.9.

“**Swap Crystallization Event**” means, in respect of a Swap Document, the crystallization or unwinding of such Swap Document whether as a result of a demand made by the applicable

Swap Lender pursuant to such Swap Document for repayment of all Indebtedness relating thereto or an automatic early termination of obligations under such Swap Document pursuant to the terms thereof.

“**Swap Documents**” has the meaning attributed to it in Section 4.1, and in any event includes the documentation related to the Existing Swaps.

“**Swap Indebtedness**” means the actual Indebtedness or obligations of the Borrower to a Swap Lender under or pursuant to a Swap Document.

“**Swap Lender**” means any Lender or any Affiliate thereof that is a hedge provider under a Swap Document entered into prior to such Swap Lender or relevant Affiliate ceasing to be a Lender. For greater certainty, (a) any Person who enters into a Swap Document after such Person ceases to be a Lender is not a Swap Lender, and (b) CIBC is a Swap Lender as it relates to the Existing Swaps.

“**Syndicated Facility**” means the credit facility established in favour of the Borrower pursuant to Section 3.1.

“**Syndicated Facility Commitment Amount**” means Cdn. \$245,000,000, as such amount may be reduced in accordance with this Agreement or increased with the unanimous consent of the Syndicated Facility Lenders.

“**Syndicated Facility Lenders**” means, initially, CIBC, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and thereafter, each Lender which may become a Party to this Agreement, as a lender, by executing and delivering to the Agent and to the Borrower an Addition Agreement, and each of their respective successors and permitted assigns.

“**Taxes**” means all taxes of any kind or nature whatsoever including income taxes, capital taxes, minimum taxes, levies, imposts, stamp taxes, royalties, duties, charges to tax, value added taxes, commodity taxes, goods and services taxes, and all fees, deductions, compulsory loans, withholdings and restrictions or conditions resulting in a charge imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future by any governmental or quasi-governmental authority of or within any jurisdiction whatsoever having power to tax, together with penalties, fines, additions to tax and interest thereon and any instalments in respect thereof.

“**Termination Date**” means, initially, June 27, 2016, as such date may be extended in respect of any Lender pursuant to Section 3.3.

“**Threshold Amount**” means the Canadian Dollar Exchange Equivalent of 5% of the Borrowing Base at the time of determination.

“**U.S. Base Rate**” means, for any day, a rate per annum equal to, the greatest of: (a) variable rate of interest quoted by the Agent from time to time as the reference rate of interest which it employs to determine the interest rate it will charge for demand loans in U.S. Dollars to its commercial customers in Canada and which it designates as its “U.S. Base Rate”; (b) the Federal

Funds Rate plus 100 Basis Points; and (c) LIBOR for an interest period of one month plus the applicable margin indicated in the Pricing Table for a LIBOR Based Loan (commencing on the date of determination or, if such day is not a Banking Day, commencing on the immediately preceding Banking Day).

**“U.S. Base Rate Loan”** means an Advance bearing interest at a fluctuating rate determined by reference to the U.S. Base Rate.

**“U.S. Dollars”** or **“U.S. \$”** each means such currency of the United States of America which, as at the time of payment or determination, is legal tender therein for the payment of public or private debts.

**“Vendors”** means, collectively, Encana Corporation and Encana Power and Processing ULC.

**“Voting Securities”** means securities of capital stock of any class of any corporation, partnership units in the case of a partnership, trust units in the case of a trust, or other evidence of ownership serving similar purposes, carrying voting rights under all circumstances, provided that, for the purposes of this definition, shares which only carry the right to vote conditionally on the happening of an event will not be considered Voting Securities, whether or not such event will have occurred, nor will any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to securities of another class or classes by reason of the happening of such event.

**“WP Investments Note”** means the \$50,000,000 promissory note dated April 22, 2013 in favour of WP Investments II B.V.

**SCHEDULE B  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**INDIVIDUAL COMMITMENT AMOUNTS OF LENDERS**

**Syndicated Facility Commitment Amount**

<b><u>Syndicated Facility Lenders</u></b>	<b><u>Commitment Amount</u> <u>(Cdn.\$)</u></b>
Canadian Imperial Bank of Commerce	\$45,000,000
Bank of Montreal	\$60,000,000
HSBC Bank Canada	\$35,000,000
The Toronto-Dominion Bank	\$35,000,000
Alberta Treasury Branches	\$35,000,000
Union Bank, Canada Branch	\$35,000,000
<b>Total Syndicated Facilities Commitment Amount</b>	<b>\$245,000,000</b>

**Operating Facility Commitment Amount**

<b><u>Operating Lender</u></b>	<b><u>Commitment Amount</u> <u>(Cdn.\$)</u></b>
Canadian Imperial Bank of Commerce	\$15,000,000

**SCHEDULE C  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**FORM OF ENVIRONMENTAL CERTIFICATE**

**TO:** Canadian Imperial Bank of Commerce ("CIBC"), as Agent

**AND TO:** The Lenders

**RE:** Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial institutions which are or hereafter become lenders thereunder (the "Lenders"), and CIBC, as administrative agent for the Lenders (the "Agent")

**DATE:** [●]

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Capitalized words and phrases used but not otherwise defined herein have the meanings attributed thereto in the Credit Agreement.

This Environmental Certificate is delivered pursuant to Section 13.2(b) of the Credit Agreement.

The undersigned, \_\_\_\_\_, being the [insert name of office] of the Borrower, hereby certifies as an officer of the Borrower and not in any personal capacity.

1. The following certifications in sections 1 to 9 are made to the best of my knowledge after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Loan Parties to confirm that the internal environmental reporting and response procedures of the Loan Parties have been followed in all material respects as they relate to the certifications made herein and that the matters herein set forth are true and correct, and that matters reported on by such officers and staff are true and correct.
2. The following certifications in sections 3 to 9 are qualified as to: (a) the matters, if any, disclosed in Exhibit 1 hereto; and (b) any breach of, or failure to comply with, any Environmental Laws, provided that the breach or failure to comply has not had, or could not reasonably be expected to have (whether on an individual or cumulative basis), a Material Adverse Effect.
3. The property of the Loan Parties is owned, leased, managed, controlled or operated, in compliance with Environmental Laws.
4. There are no existing, pending or threatened (by written notice):
  - (a) claims, complaints, notices or requests for information received from an Administrative Body by any of the Loan Parties, or of which any of the Loan Parties are otherwise aware, with respect to any alleged violation of or alleged liability under any Environmental Laws by any of the Loan Parties; or

- (b) stop, cleanup or preventative orders, direction or action requests, notice of which has been received from an Administrative Body by any of the Loan Parties or of which any of the Loan Parties are otherwise aware, relating to the Environment which as a result thereof, requires any work, repair, remediation, cleanup, construction or capital expenditure with respect to any property owned, leased, managed, controlled or operated by any of the Loan Parties.
5. Except in compliance with Environmental Laws, no Contaminant has been received, handled, used, stored, treated or shipped at or from, and there has been no discharge or Release of a Contaminant at, on, from or under any property owned, leased, managed, controlled or operated by any of the Loan Parties.
  6. None of the lands and facilities owned, leased, managed, controlled or operated by any of the Loan Parties, have been used as a landfill site or, except in compliance with Environmental Laws, as a waste disposal site.
  7. No condition exists, at, on or under any of the premises or facilities owned, leased, managed, controlled or operated by any of the Loan Parties, which with the passage of time, or the giving of notice or both, has given rise to or could reasonably be expected to give rise to a violation or liability under any Environmental Laws.
  8. The Loan Parties have obtained all permits, licenses and other authorizations (collectively the "Permits") which are required under Environmental Laws and are in compliance with all terms and conditions of all Permits and each of the Permits is in full force and effect and unrevoked as of the date of this Certificate.
  9. The Loan Parties are not aware of any matter affecting the Environment which has had or could reasonably be expected to have a Material Adverse Effect.

**DATED** at Calgary, Alberta effective the date and year first above written.

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name: [•]  
Title: [•]

**EXHIBIT 1**  
**DISCLOSURE**  
**(nil)**

**SCHEDULE D**  
**TO THE ENDURANCE ENERGY LTD.**  
**CREDIT AGREEMENT DATED JUNE 27, 2013**  
  
**FORM OF COMPLIANCE CERTIFICATE**

**TO:** Canadian Imperial Bank of Commerce ("CIBC"), as Agent

**AND TO:** The Lenders

**RE:** Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial institutions which are or hereafter become lenders thereunder (the "Lenders"), and CIBC, as administrative agent for the Lenders (the "Agent")

**DATE:** [•]

---

Capitalized terms used herein and not otherwise defined herein have the meanings given to them in the Credit Agreement.

This Compliance Certificate is delivered pursuant to Section 13.2(b) of the Credit Agreement.

I, \_\_\_\_\_, am the duly appointed [insert name of office] of the Borrower and hereby certify in such capacity for and on behalf of the Borrower, and not in my personal capacity and without assuming any personal liability whatsoever, after making due inquiry:

1. This Compliance Certificate applies to the Fiscal [Quarter/Year] ending \_\_\_\_\_, \_\_\_\_\_ (the "Calculation Date").
2. I am familiar with and have examined the provisions of the Credit Agreement and I have made such reasonable investigations of corporate records and inquiries of other officers and senior personnel of each of the Loan Parties as I have deemed necessary for purposes of this Compliance Certificate.
3. Based on the foregoing, no Default or Event of Default has occurred and is continuing.
4. The following Hedging Agreements are subsisting: [Provide details].
5. The Borrower and the Restricted Subsidiaries directly own, on an unconsolidated basis, no less than 95% of Consolidated Tangible Assets.
6. The Consolidated Debt to EBITDA Ratio as at the Calculation Date is \_\_\_\_\_ :1.0, the calculations of which are outlined in Exhibit 1 hereto, as adjusted for Material Acquisitions and Material Dispositions during the applicable period. Based on this reported Consolidated Debt to EBITDA Ratio, the interest rates and fees applicable to the



Credit Facility determined in accordance with the Pricing Table will [remain unchanged] [or] [increase/decrease to Level \_\_\_] effective \_\_\_\_, 20\_\_.

7. The Consolidated Tangible Assets as at the Calculation Date is \$ \_\_\_\_\_, the calculations of which are outlined in Exhibit 2 attached hereto.
8. As of the date hereof, the Borrower has no Subsidiaries other than those listed in Schedule H to the Credit Agreement. [or] [Schedule H to the Credit Agreement is revised as follows: (list changes here)].

**DATED** at Calgary, Alberta effective as of the date and year first written above.

**ENDURANCE ENERGY LTD.**

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

Name: [●]

Title: [●]

**EXHIBIT 1**

**CONSOLIDATED DEBT TO EBITDA RATIO**

Applicable to the Fiscal Quarter Ending \_\_\_\_\_

[attach calculations]

**EXHIBIT 2**

**CONSOLIDATED TANGIBLE ASSETS**

**Applicable to the Fiscal Quarter Ending \_\_\_\_\_**

**[attach calculations]**

**SCHEDULE E  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**FORM OF REQUEST FOR OFFER OF EXTENSION**

**TO:** **CANADIAN IMPERIAL BANK OF COMMERCE**, as Agent  
Wholesale Banking Operations, Credit Processing Services  
5<sup>th</sup> Floor, Atrium on Bay, 595 Bay Street  
Toronto, Ontario. M5G 2C2

Facsimile: (416) 956-3830  
Attention: Global Agent Administration  
Email: Severyn.Borowski@cibc.ca / Marina.Tellis@cibc.ca

**DATE:** [•]

Dear Sirs/Mesdames:

Endurance Energy Ltd. (the "**Borrower**"), Canadian Imperial Bank of Commerce ("**CIBC**") and those other financial institutions which are or hereafter become lenders thereunder (the "**Lenders**"), and CIBC, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "**Agent**") are parties to a credit agreement dated June 27, 2013 (such credit agreement, as it may be amended, supplemented or otherwise modified or restated from time to time, the "**Credit Agreement**").

We hereby give notice of our request for an Extension of the Termination Date to [■] pursuant to Section 3.3 of the Credit Agreement.

As of the date hereof, there exists no Default or Event of Default, except those set out below which have been expressly disclosed to and waived or agreed to by the Lenders.

Yours very truly,

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE F  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**FORM OF NOTICE OF BORROWING**

TO: Canadian Imperial Bank of Commerce ("CIBC"), as Agent  
Attention: Global Agent Administration  
Fax: (416) 956-3830  
Email: Severyn.Borowski@cibc.ca / Marina.Tellis@cibc.ca

RE: Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial institutions which are or hereafter become lenders thereunder (the "Lenders"), and CIBC, as administrative agent for the Lenders (the "Agent")

DATE: [•] \_\_\_\_\_

1. THE DRAWDOWN DATE IS THE \_\_\_\_ DAY OF \_\_\_\_\_, \_\_\_\_\_.
2. Pursuant to Section 5.2 of the Credit Agreement, the undersigned hereby irrevocably requests that the following Advances be made available under the applicable Credit Facility:

Syndicated Facility:

<u>TYPE OF ADVANCE</u>	<u>PRINCIPAL AMOUNT</u>	<u>TERM</u>
Canadian Prime Rate Loan	_____	N/A
U.S. Base Rate Loan	_____	N/A
Bankers' Acceptances	_____	_____
LIBOR Based Loan	_____	_____

Operating Facility:

<u>TYPE OF ADVANCE</u>	<u>PRINCIPAL AMOUNT</u>	<u>TERM</u>
Canadian Prime Rate Loan	_____	N/A
U.S. Base Rate Loan	_____	N/A
Bankers' Acceptances	_____	_____

Letters of Credit

3. As of the date of this Notice of Borrowing, no Default or Event of Default has occurred and is continuing and each of the representations and warranties of the Borrower set forth in the Loan Documents deemed to be made on each Drawdown is true and correct as of the date of the requested Drawdown.
4. Capitalized terms used herein and not otherwise defined herein have the meanings given to them by the Credit Agreement.

**DATED** at Calgary, Alberta effective as of the date and year first written above.

**ENDURANCE ENERGY LTD.**

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

Name: [●]

Title: [●]

**SCHEDULE G  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**FORM OF NOTICE OF ROLLOVER OR NOTICE OF  
CONVERSION OR NOTICE OF REPAYMENT**

TO: Canadian Imperial Bank of Commerce ("CIBC"), as Agent  
Attention: Global Agent Administration  
Fax: (416) 956-3830  
Email: Severyn.Borowski@cibc.ca / Marina.Tellis@cibc.ca

RE: Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among  
Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial  
institutions which are or hereafter become lenders thereunder (the "Lenders"),  
and CIBC, as administrative agent for the Lenders (the "Agent")

DATE: [•] \_\_\_\_\_

Capitalized terms used herein and not otherwise defined herein have the meanings given to them  
by the Credit Agreement.

1. Pursuant to Section 5.4 of the Credit Agreement, the undersigned hereby irrevocably  
notifies the Agent that it will be:

(a) rolling over part or all of the Accommodation described as:

Type of Accommodation: \_\_\_\_\_

\*Principal Amount: \_\_\_\_\_

Date of Maturity: \_\_\_\_\_

into the same Accommodation described as:

Date of Maturity: \_\_\_\_\_

\* if only part of maturing Advance is rolled over, please indicate.

or,

(b) converting part or all of the Accommodation described as:

Type of Accommodation: \_\_\_\_\_

\*Principal Amount: \_\_\_\_\_

Date of Maturity: \_\_\_\_\_

into an Accommodation described as:

\* if only part of maturing Advance is converted, please indicate.

Type of Accommodation: \_\_\_\_\_

\*Principal Amount: \_\_\_\_\_

Date of Maturity: \_\_\_\_\_

effective the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

(c) Repaying part or all of the Advance described as:

Type of Accommodation: \_\_\_\_\_

\*Principal Amount: \_\_\_\_\_

Date of Maturity: \_\_\_\_\_

\*if only part of maturing Advance is being repaid, please indicate the applicable amount being repaid including the details provided above in respect thereof and whether the balance will be rolled over or Converted.

2. This Notice is irrevocable.
3. No Default or Event of Default has occurred and is continuing.

**DATED** at Calgary, Alberta effective the date and year first above written.

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name: [•]  
Title: [•]



**SCHEDULE H  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**LOAN PARTY INFORMATION**

Legal Name	Jurisdiction of Incorporation or Formation	Location of Chief Executive Office	Location of Business and Assets	Ownership of Issued Voting Securities	Designation
Endurance Energy Ltd.	Alberta	Alberta	Alberta and British Columbia	See chart below*	Borrower

**\*Shareholdings of Endurance Energy Ltd.**

Shareholder Name <sup>(1)</sup>	Participating Shares Owned					Common Shares Owned
	Series 1 Participating Shares (Feb. 28, 2012)	Series 2 Participating Shares (Apr. 30, 2012)	Series 3 Participating Shares (Nov. 9, 2012)	Series 4 Participating Shares (Jan. 30, 2013)	Total Participating Shares Owned	
<b>Shareholder</b>						
WP Investments II B.V. c/o ATC Corporate Services (Netherlands) B.V.  Olympic Plaza Fred. Roeskestraat 123 1076 EE Amsterdam, The Netherlands	1,045,930	1,000,000	993,231	695,262	3,734,423	-
<b>Individual Shareholders</b>						
Dennis Lawrence <sup>(2)</sup>	104,760	-	736	515	106,011	320,000
Hugh McCaskill <sup>(2)</sup>	-	-	-	-	-	220,000
A. Kim Schoenroth <sup>(2)</sup>	51,095	-	-	-	51,095	200,000
Brian Hernandez <sup>(2)</sup>	10,000	-	-	-	10,000	105,000
Michael Lewellyn <sup>(2)</sup>	22,840	-	-	-	22,840	105,000
Troy Smith <sup>(2)</sup>	19,030	-	368	257	19,655	105,000
Alex Bouna <sup>(2)</sup>	3,000	-	515	360	3,875	105,000
Leta Pearson <sup>(2)</sup>	12,030	-	-	-	12,030	60,000
Allen Deacon <sup>(2)</sup>	-	-	-	-	-	45,000
Derek W. Evans <sup>(2)</sup>	75,000	-	-	-	75,000	35,000
Margaret A. McKenzie <sup>(2)</sup>	30,000	-	-	-	30,000	18,000
Grant A. Zawalsky <sup>(2)</sup>	15,000	-	-	-	15,000	18,000
Darren Gee <sup>(2)</sup>	-	-	-	-	-	18,000
Woitas Family Trust <sup>(2)</sup>	50,000	-	-	-	50,000	-
Linda E. Woitas <sup>(2)</sup>	50,000	-	-	-	50,000	-

Clayton Woitas <sup>(2)</sup>	235,000	-	-	-	235,000	-
GundyCo ITF Hugh McCaskill <sup>(2)</sup>	15,750	-	-	-	15,750	-
Carmelene Smith <sup>(2)</sup>	8,750	-	-	-	8,750	-
Macquarie Private Wealth ITF Darren Gee <sup>(2)</sup>	30,000	-	-	-	30,000	-
Howard J. Mayson 127 Preston Way (PO Box 9450) Breckenridge, CO 80424	-	-	2,575	1,803	4,378	18,000
Cameron Smith 1 Great Elm Drive (PO Box 8) Sharon, CT 06069	-	-	736	515	1,251	-
James K. Bass Sheridan Production Partners 1300, 9 Greenway Plaza	-	-	1,839	1,288	3,127	18,000
Victoria Marshall <sup>(2)</sup>	-	-	-	-	-	40,000
Courtney Foster <sup>(2)</sup>	-	-	-	-	-	6,000
Angela Gingera <sup>(2)</sup>	-	-	-	-	-	6,000
Ryan Karr <sup>(2)</sup>	-	-	-	-	-	35,000
Matthew Forth <sup>(2)</sup>	-	-	-	-	-	25,000
Kathryn Waterman <sup>(2)</sup>	-	-	-	-	-	26,000
Bryan Wright	-	-	-	-	-	35,000
Owen Bailey	-	-	-	-	-	35,000
<b>Restricted Shareholders</b>						
Endurance Shareholders Limited Partnership <sup>(2)</sup>	613,250	-	-	-	613,250	-
RBC Dominion Securities Inc. ITF Grant A. Zawalsky RRSP A/C 493-34403-17 <sup>(2)</sup>	20,000	-	-	-	20,000	-
Alexander Araujo <sup>(2)</sup>	25,000	-	-	-	25,000	-
GundyCo ITF Hugh McCaskill <sup>(2)</sup>	53,725	-	-	-	53,725	-
David Bradley <sup>(2)</sup>	14,737	-	-	-	14,737	-
Mackie Research Capital Corporation ITF Brian Hernandez A/C 41FUQ1E	10,840	-	-	-	10,840	-
Nesbitt Burns Inc. ITF Leta Pearson A/C 711-	3,600	-	-	-	3,600	-
Matthieu Debost <sup>(2)</sup>	25,000	-	-	-	25,000	-
<b>Totals</b>	<b>2,544,337</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>700,000</b>	<b>5,244,337</b>	<b>1,598,000</b>

Notes:

- (1) Shares are to be registered in the name of the Shareholder unless otherwise noted.
- (2) Each such Individual Shareholder has the following address: c/o Endurance Energy Ltd., 400, 444 – 5<sup>th</sup> Avenue SW, Calgary, AB T2P 2T8.

Additional Trade Names: Endurance B.C. Gas Ltd.

**SCHEDULE I  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**FORM OF DESIGNATION OF RESTRICTED SUBSIDIARY**

**TO:** Canadian Imperial Bank of Commerce ("CIBC"), as Agent

**RE:** Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial institutions which are or hereafter become lenders thereunder (the "Lenders"), and CIBC, as administrative agent for the Lenders (the "Agent")

**DATE:** [•]

---

1. Unless otherwise indicated, capitalized terms defined in the Credit Agreement have the same meanings when used herein.
2. [Pursuant to Section 14.1(a) of the Credit Agreement, the Borrower hereby designates [Name of Subsidiary] as a Restricted Subsidiary under and for the purposes of the Credit Agreement and the other Documents.

- or -

[Pursuant to Section 14.1(a) of the Credit Agreement, the Borrower hereby designates [Name of Subsidiary] (currently a Restricted Subsidiary) as a Non-Restricted Subsidiary under and for the purposes of the Credit Agreement and the other Documents.]

3. No Default or Event of Default has occurred and is continuing unless the exercise of the Borrower's discretion under paragraph 2 above would cause such Default or Event of Default to be cured and no Default or Event of Default would result from or exist immediately after such a designation.
4. The Borrower is entitled pursuant to the terms of the Credit Agreement to make the designation referenced in this Certificate.
5. The Restricted Subsidiaries under and for the purposes of the Credit Agreement and the Documents as of the date hereof are as set forth in Exhibit 1 hereto.

**DATED** at Calgary, Alberta effective as of the date and year first written above.

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE J  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**FORM OF ASSIGNMENT**

**TO:** Canadian Imperial Bank of Commerce ("CIBC"), as Agent

**AND TO:** The Lenders

**AND TO:** The Borrower

**RE:** Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial institutions which are or hereafter become lenders thereunder (the "Lenders"), and CIBC, as administrative agent for the Lenders (the "Agent")

**DATE:** [●] (the "Effective Date")

---

Unless otherwise indicated, capitalized terms defined in the Credit Agreement have the same meanings when used herein.

1. [Name of assignee lender] (the "Assignee") acknowledges that its proper officers have received and reviewed a copy of the Credit Agreement and the other Loan Documents and further acknowledges the provisions of the Credit Agreement and the other Loan Documents.
2. The Assignee desires to become a Lender under the Credit Agreement. Effective on the Effective Date, [Name of assigning lender] (the "Assignor") has agreed to and does hereby sell, assign and transfer to the Assignee, and the Assignee hereby irrevocably purchases and assumes, an interest in the [Syndicated/Operating] Facility, the Assignee assumes the obligations of the Assignor in respect of the Assignor's Individual Commitment Amount to the extent of Cdn. \$[●] of such commitment (the "Assigned Commitment"), and a share of the rights of the Assignor as a Lender under the Credit Agreement to the extent of the Assigned Commitment, including without limitation, a share (the "Pro Rata Share") of the rights of the Assignor with respect to the Aggregate Principal Amount owing to the Assignor under the [Syndicated/Operating] Facility equal to the proportion that the amount of the Assigned Commitment bears to Cdn. \$[●] (being the amount of the Individual Commitment Amount of the Assignor on the Effective Date prior to the assignment and transfer under this Assignment) (the Assigned Commitment and such Pro Rata Share are referred to herein as the "Assigned Interest"); and, accordingly, the Assignee has agreed to execute this Assignment and deliver an original of it to the Agent.
3. The Assignee, by its execution and delivery of this Assignment, agrees that from and after the date hereof it will be a Lender under the Credit Agreement to the extent of the Assigned Commitment and the Rateable Portion and agrees to be bound by and to perform, where required, all of the terms, conditions and covenants of the Credit

Agreement and the other Loan Documents applicable to a Lender; but its liability to make Advances will be limited to its share of such Advances based upon its Individual Commitment Amount identified in paragraph 4 below, subject to the provisions of the Credit Agreement.

4. The Assignee confirms that its Individual Commitment Amount under the Credit Agreement will be as follows:

**[State amount in Canadian Dollars.]**

5. The Assignee agrees to assume all liabilities and obligations of the Assignor as a Lender under the Credit Agreement and the other Loan Documents to the extent of the Assigned Interest as provided for herein and the Assignor is hereby released and discharged from such obligations and liabilities to the same extent but only in respect of such obligations and liabilities arising from and after the Effective Date.
6. The Assignor: (a) represents and warrants that: (i) it is the legal and beneficial owner of the Assigned Interest; (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim; and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to: (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document; (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents; (iii) the financial condition of any of the Loan Parties or any other Person obligated in respect of any Loan Document; or (iv) the performance or observance by any of the Loan Parties or any other Person of any of their respective obligations under any Loan Document.
7. The Assignee: (a) represents and warrants that: (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement; and (ii) it has received a copy of the Credit Agreement, copies of the most recent financial statements of the Borrower delivered pursuant to the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Lender; and (b) agrees that: (i) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder; (ii) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents; and (iii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

8. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

9. Notices will be given to the Assignee in the manner provided for in the Credit Agreement at the following address:

[•]

Attention: [•]

Facsimile: [•]

10. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by facsimile or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the Laws in force in the Province of Alberta from time to time.

**DATED** effective as of the date and year first written above.

[Name of Assignee]

Per: \_\_\_\_\_  
Name:  
Title:

\* \* \*

The Assignor hereby acknowledges the above Assignment and agrees that its Individual Commitment Amount is reduced by an amount equal to the commitment assigned to the assignee hereby.

**DATED** effective as of the date and year first written above.

[Name of Assignor]

Per: \_\_\_\_\_  
Name:  
Title:

Consented to and acknowledged effective the date and year first above written by:

**CANADIAN IMPERIAL BANK OF  
COMMERCE, as Agent**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ENDURANCE ENERGY LTD.  
[while no Default or Event of Default  
exists]**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE K  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013**

**EXISTING SWAPS**

**Deferred Premium Puts with CIBC**

<b>Term</b>	<b>Volume gj/d</b>	<b>Average Strike</b>	<b>Deferred Premium</b>	<b>Days</b>	<b>Net Premium</b>
July 2013-June 2014	90,000	\$3.65	\$0.4950	365	\$16,260,750
July 2014-June 2015	70,000	\$3.65	\$0.4950	365	\$12,647,250
July 2015-June 2016	53,000	\$3.65	\$0.4950	366	\$9,602,010
July 2016 - July 2017	12,000	\$3.71	\$0.765	365	\$3,350,700
<b>Net (Cdn\$):</b>					<b>\$41,860,710</b>



**FIRST AMENDING AGREEMENT  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT  
DATED JUNE 27, 2013**

**THIS FIRST AMENDING AGREEMENT** is made effective as of March 31, 2014,

**BETWEEN:**

**ENDURANCE ENERGY LTD.  
as Borrower**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

- with -

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

- and with -

**BANK OF MONTREAL  
as Syndication Agent**

**PREAMBLE:**

- A. Pursuant to the Credit Agreement dated June 27, 2013 (the “**Credit Agreement**”), among Endurance Energy Ltd., as Borrower (the “**Borrower**”), Canadian Imperial Bank of

Commerce, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and those financial institutions who from time to time become lenders thereunder (collectively, the "Lenders"), and Canadian Imperial Bank of Commerce, as agent for the Lenders (the "Agent"), such lenders agreed to provide to the Borrower the Credit Facilities.

- B. The Parties wish to amend the Credit Agreement on the terms and conditions herein provided.

**AGREEMENT:**

**NOW THEREFORE** in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the Parties, the Parties agree as follows:

1. **Definitions.** Capitalized terms used in this First Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this First Amending Agreement (the "**First Amendment Date**").
3. **Extension of Termination Date.** Pursuant to Section 3.3 of the Credit Agreement, the Termination Date is hereby extended to June 27, 2017.
4. **Borrowing Base.** The Parties acknowledge that the Borrowing Base as of the First Amendment Date is \$260,000,000.
5. **Extension Fee.** Concurrently with the execution and delivery of this First Amending Agreement, the Borrower will pay to the Agent on behalf of each Lender an extension fee equal to 10 bps multiplied by the commitment amount of each such Lender under the Credit Facilities.
6. **Representations and Warranties.** To confirm each Lender's understanding concerning the Borrower and their business, properties and obligations, and to induce the Agent and each Lender to enter into this First Amending Agreement, the Borrower hereby reaffirms to the Agent and each Lender that, as of the date hereof, its representations and warranties contained in Section 12.1 of the Credit Agreement, except to the extent such representations and warranties relate solely to an earlier date, are true and correct in all material respects and additionally represents and warrants as follows:
  - (a) the execution and delivery of this First Amending Agreement and the performance by it of its obligations under this First Amending Agreement (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary governmental approvals (if any required), and (iv) do not and will not contravene or conflict with any provision of applicable Law or of its constating documents or by-laws; and

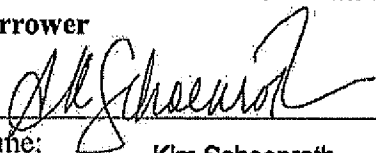
(b) this First Amending Agreement is a legal, valid and binding obligation of it, enforceable in accordance with its terms except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, winding-up, moratorium or similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity.

7. **Continuing Effect.** Each of the Parties acknowledges and agrees that the Credit Agreement, as amended hereby, and all other Loan Documents and Hedging Agreements entered into with a Swap Lender will be and continue in full force and effect and are hereby confirmed and the rights and obligations of all Parties thereunder will not be effected or prejudiced in any manner except as specifically provided herein.
8. **Further Assurances.** The Borrower will from time to time forthwith at the Agent's request and at the Borrower's own cost and expense make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this First Amending Agreement.
9. **Expenses.** The Borrower will be liable for all expenses of the Agent or the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full indemnity basis) and other documented out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of the Credit Facilities and of this First Amending Agreement (whether or not consummated) by the Agent or the Lenders.
10. **Counterparts.** This First Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitutes one and the same instrument. Any Party may execute this First Amending Agreement by signing any counterpart.

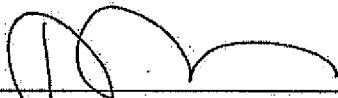
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**IN WITNESS WHEREOF**, the Parties have caused this First Amending Agreement to be duly executed by their respective authorized officers as of the First Amendment Date.

**ENDURANCE ENERGY LTD., as  
Borrower**



Name: Kim Schoenroth  
Title: Vice President & CFO




Name:  
Title: Dennis Lawrence  
President & CEO

**CANADIAN IMPERIAL BANK OF  
COMMERCE, as Agent and Lender**

By: \_\_\_\_\_  
Name: *Brad Kay*  
Title: Authorized Signatory


By: \_\_\_\_\_  
Name: *Graydon Falls*  
Title: Authorized Signatory

**BANK OF MONTREAL,**  
**as Lender**

By:   
Name: **R.P. Heinrichs**  
Title: **Managing Director**

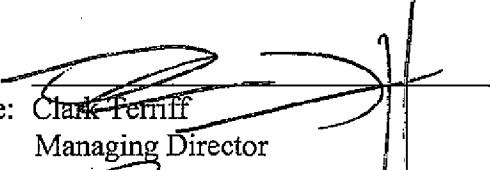
By:   
Name: **Matthew Brink**  
Title: **Associate**

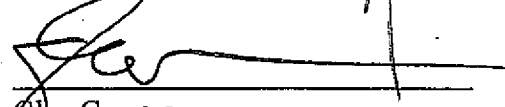
HSBC BANK CANADA, as Lender

By:   
Name: ADAM LAMB  
Title: Senior Account Manager  
Commercial Banking

By:   
Name: DUNCAN LEVY  
Title: Assistant Vice President  
Commercial Banking

**THE TORONTO-DOMINION BANK, as Lender**

By:   
Name: Clark Ferrif  
Title: Managing Director

By:   
Name: Glen Cameron  
Title: Director



**ALBERTA TREASURY BRANCHES, as Lender**

By: Mikael Sears  
Name: Mikael Sears  
Title: Director

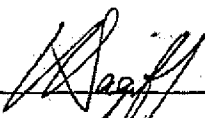
By: Kevin Kynoch  
Name: Kevin Kynoch  
Title: Director

UNION BANK, CANADA BRANCH, as Lender

By: \_\_\_\_\_

Name:

Title:



**Larry McGriff**  
**Vice President**

By: \_\_\_\_\_

Name:

Title:

**SECOND AMENDING AGREEMENT  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT  
DATED JUNE 27, 2013**

**THIS SECOND AMENDING AGREEMENT** is made effective as of October 31, 2014,

**BETWEEN:**

**ENDURANCE ENERGY LTD.  
as Borrower**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

- with -

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

- and with -

**BANK OF MONTREAL  
as Syndication Agent**

**PREAMBLE:**

- A. Pursuant to the Credit Agreement dated June 27, 2013, as amended by an amending agreement dated March 31, 2014 (collectively, the "Credit Agreement"), among

Endurance Energy Ltd., as Borrower (the "Borrower"), Canadian Imperial Bank of Commerce, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and those financial institutions who from time to time become lenders thereunder (collectively, the "Lenders"), and Canadian Imperial Bank of Commerce, as agent for the Lenders (the "Agent"), such lenders agreed to provide to the Borrower the Credit Facilities.

- B. The Parties wish to amend the Credit Agreement on the terms and conditions herein provided.

**AGREEMENT:**

NOW THEREFORE in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the Parties, the Parties agree as follows:

1. **Definitions.** Capitalized terms used in this Second Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this Second Amending Agreement (the "Second Amendment Date").
3. **Borrowing Base.** The Parties acknowledge that the Borrowing Base as of the Second Amendment Date is \$260,000,000.
4. **Credit Card Increase.** Section 3.8(g) of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:  
  
“(g) under the Operating Facility only, a corporate credit card with a maximum limit of Cdn. \$100,000, or such other amount as may be agreed in writing by the Borrower and the Operating Lender,”
5. **Reserve Report.** Section 13.2(e)(i) of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:  
  
“by March 31 of each year, an independent economic and reserve evaluation report covering the oil and gas properties of the Loan Parties representing at least 90% of the then applicable PDP PV10, in form satisfactory to the Majority Lenders, acting reasonably, prepared, in the case of such independent reports, by an engineering firm acceptable to the Majority Lenders, with an effective date no earlier than January 1 of that year, together with an internally prepared reserve report covering the remaining oil and gas properties of the Loan Parties, with the same effective date as the independent report, in form satisfactory to the Majority Lenders, acting reasonably;
6. **Definitions.** The Parties hereby amend Schedule A of the Credit Agreement by inserting, in the appropriate alphabetical order, the following definitions:

“**COGEH Definitions**” means the definitions promulgated by the Canadian Oil and Gas Evaluation Handbook in effect from time to time.

“**PDP PV10**” means the present value (discounted by 10.0%) of future net revenues attributable to all Proved Developed Producing Reserves identified as such by the economic reserve and evaluation report delivered to the Agent by the Borrower most recently pursuant to Section 13.2(e)(i).

“**Proved Developed Producing Reserves**” means “Proved Reserves” that are categorized as “Developed Producing Reserves”, as each such term is construed in the COGEH Definitions.

7. **Representations and Warranties.** To confirm each Lender’s understanding concerning the Borrower and their business, properties and obligations, and to induce the Agent and each Lender to enter into this Second Amending Agreement, the Borrower hereby reaffirms to the Agent and each Lender that, as of the date hereof, its representations and warranties contained in Section 12.1 of the Credit Agreement, except to the extent such representations and warranties relate solely to an earlier date, are true and correct in all material respects and additionally represents and warrants as follows:
  - (a) the execution and delivery of this Second Amending Agreement and the performance by it of its obligations under this Second Amending Agreement (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary governmental approvals (if any required), and (iv) do not and will not contravene or conflict with any provision of applicable Law or of its constating documents or by-laws; and
  - (b) this Second Amending Agreement is a legal, valid and binding obligation of it, enforceable in accordance with its terms except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, winding-up, moratorium or similar Laws relating to the enforcement of creditors’ rights generally and by general principles of equity.
8. **Continuing Effect.** Each of the Parties acknowledges and agrees that the Credit Agreement, as amended hereby, and all other Loan Documents and Hedging Agreements entered into with a Swap Lender will be and continue in full force and effect and are hereby confirmed and the rights and obligations of all Parties thereunder will not be effected or prejudiced in any manner except as specifically provided herein.
9. **Further Assurances.** The Borrower will from time to time forthwith at the Agent’s request and at the Borrower’s own cost and expense make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this Second Amending Agreement.
10. **Expenses.** The Borrower will be liable for all expenses of the Agent or the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full

indemnity basis) and other documented out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of the Credit Facilities and of this Second Amending Agreement (whether or not consummated) by the Agent or the Lenders.


11. **Counterparts.** This Second Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitutes one and the same instrument. Any Party may execute this Second Amending Agreement by signing any counterpart.

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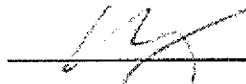
**IN WITNESS WHEREOF**, the Parties have caused this Second Amending Agreement to be duly executed by their respective authorized officers as of the Second Amendment Date.

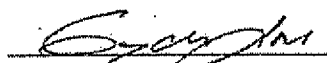
**ENDURANCE ENERGY LTD., as  
Borrower**

  
Name: Kim Schoenroth  
Title: Vice President & CFO

  
Name: Hugh McCaskill  
Title: Vice President & COO

**CANADIAN IMPERIAL BANK OF  
COMMERCE, as Agent and Lender**


By:   
Name: Brad Kay  
Title: Authorized Signatory Authorized Signatory

By:   
Name: GRAYDON FALLS  
Title: Authorized Signatory

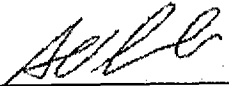


**BANK OF MONTREAL,**  
as Lender

By:   
Name: **Brad Heck**  
Title: **Director**

By:   
Name: **Matthew Brink**  
Title: **Associate**

**HSBC BANK CANADA, as Lender**

By:   
Name: **ADAM LAMB**  
Title: **Senior Account Manager,  
Commercial Banking**

By:   
Name: **DUNCAN LEVY**  
Title: **Assistant Vice President  
Commercial Banking**

THE TORONTO-DOMINION BANK, as Lender

By: 

Name: Clark Terriff

Title: Managing Director

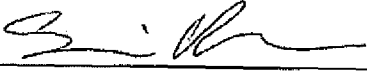
By: 

Name: Glen Cameron

Title: Director

**ALBERTA TREASURY BRANCHES, as Lender**

By:   
Name: **Mikael Sears**  
Title: **Director, Energy**

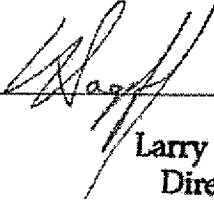
By:   
Name: **Sonia Barr**  
Title: **Associate Director**

UNION BANK, CANADA BRANCH, as Lender

By: \_\_\_\_\_

Name:

Title:



**Larry Sagriff**  
**Director**

By: \_\_\_\_\_

Name:

Title:

**THIRD AMENDING AGREEMENT  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT  
DATED JUNE 27, 2013**

**THIS THIRD AMENDING AGREEMENT** is made effective as of April 30, 2015,

**BETWEEN:**

**ENDURANCE ENERGY LTD.  
as Borrower**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

- with -

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

- and with -

**BANK OF MONTREAL  
as Syndication Agent**

**PREAMBLE:**

- A. Pursuant to the Credit Agreement dated June 27, 2013, as amended by a first amending agreement dated March 31, 2014 and a second amending agreement dated October 31, 2014 (collectively, the "Credit Agreement"), among Endurance Energy Ltd., as Borrower (the "Borrower"), Canadian Imperial Bank of Commerce, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and those

financial institutions who from time to time become lenders thereunder (collectively, the "Lenders"), and Canadian Imperial Bank of Commerce, as agent for the Lenders (the "Agent"), such lenders agreed to provide to the Borrower the Credit Facilities.

B. The Parties wish to amend the Credit Agreement on the terms and conditions herein provided.

**AGREEMENT:**

**NOW THEREFORE** in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the Parties, the Parties agree as follows:

1. **Definitions.** Capitalized terms used in this Third Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this Third Amending Agreement (the "Effective Date").
3. **Extension of Termination Date.** Pursuant to Section 3.3 of the Credit Agreement, the Termination Date is hereby extended to June 27, 2018.
4. **Borrowing Base.** The Parties acknowledge that the Borrowing Base as of the Effective Date is \$260,000,000.
5. **Pricing Table.** The Pricing Table found at Section 3.9(a) immediately beneath Section 3.9(a)(vii) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

**Pricing Table**

Level	Consolidated Debt to EBITDA Ratio	Canadian Prime Rate/U.S. Base Rate Margin	BA Stamping Fee/LIBOR Margin/Letter of Credit Fee for Financial Letters of Credit*	Standby Fees
I	≤ 1.00:1	100.0 bps	200.0 bps	50.00 bps
II	> 1.0:1 ≤ 1.50:1	125.0 bps	225.0 bps	56.25 bps
III	> 1.50:1 ≤ 2.00:1	150.0 bps	250.0 bps	62.50 bps
IV	> 2.00:1 ≤ 2.50:1	175.0 bps	275.0 bps	68.75 bps
V	> 2.50:1 ≤ 3.00:1	225.0 bps	325.0 bps	81.25 bps
VI	> 3.00:1 ≤ 3.50:1	275.0 bps	375.0 bps	93.75 bps
VII	>3.50:1	325.0 bps	425.0 bps	106.25 bps

6. **Extension Fee.** Concurrently with the execution and delivery of this Third Amending Agreement, the Borrower will pay to the Agent on behalf of each Lender an extension fee equal to 10 bps multiplied by the Individual Commitment Amount of each such Lender under the Credit

Facilities.

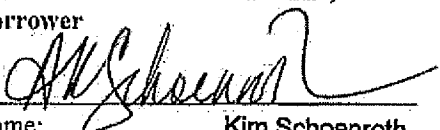
7. **Representations and Warranties.** To confirm each Lender's understanding concerning the Borrower and its business, properties and obligations, and to induce the Agent and each Lender to enter into this Third Amending Agreement, the Borrower hereby reaffirms to the Agent and each Lender that, as of the date hereof, its representations and warranties contained in Section 12.1 of the Credit Agreement, except to the extent such representations and warranties relate solely to an earlier date, are true and correct in all material respects and additionally represents and warrants as follows:
- (a) the execution and delivery of this Third Amending Agreement and the performance by it of its obligations under this Third Amending Agreement: (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary governmental approvals (if any required), and (iv) do not and will not contravene or conflict with any provision of applicable Law or of its constituting documents or by-laws; and
  - (b) this Third Amending Agreement is a legal, valid and binding obligation of it, enforceable in accordance with its terms except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, winding-up, moratorium or similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity.
8. **Continuing Effect.** Each of the Parties acknowledges and agrees that the Credit Agreement, as amended hereby, and all other Loan Documents and Hedging Agreements entered into with a Swap Lender will be and continue in full force and effect and are hereby confirmed and the rights and obligations of all Parties thereunder will not be effected or prejudiced in any manner except as specifically provided herein.
9. **Further Assurances.** The Borrower will from time to time forthwith at the Agent's request and at the Borrower's own cost and expense make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this Third Amending Agreement.
10. **Expenses.** The Borrower will be liable for all expenses of the Agent or the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full indemnity basis) and other documented out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of the Credit Facilities and of this Third Amending Agreement (whether or not consummated) by the Agent or the Lenders.
11. **Counterparts.** This Third Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitutes one and the same instrument. Any Party may execute this Third Amending Agreement by signing any counterpart.

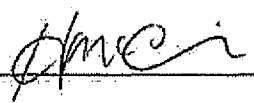
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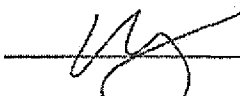
IN WITNESS WHEREOF, the Parties have caused this Third Amending Agreement to be duly executed by their respective authorized officers as of the Effective Date.

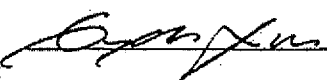
ENDURANCE ENERGY LTD., as  
Borrower

  
Name: Kim Schoenroth  
Title: Vice President & CFO

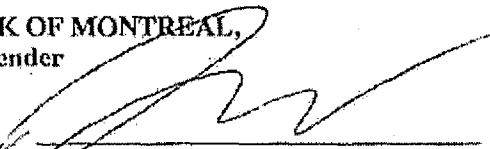
  
Name: Hugh McCaskill  
Title: Vice President & COO

**CANADIAN IMPERIAL BANK OF  
COMMERCE, as Agent and Lender**

By:   
Name: \_\_\_\_\_ **Brad Kay**  
Title: Authorized Signatory **Authorized Signatory**

By:   
Name: \_\_\_\_\_ **Graydon Falls**  
Title: Authorized Signatory **Authorized Signatory**

**BANK OF MONTREAL,**  
**as Lender**

By:   
Name: Dana Fleury  
Title: Director

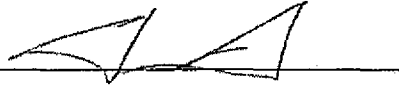
By:   
Name: Brad Heck  
Title: Managing Director

HSBC BANK CANADA, as Lender

By:

Name:

Title:



**Duncan Levy**  
Director, Oil & Gas Corporate

By:

Name:

Title:



**ADAM LAMB**  
Assistant Vice President  
Oil & Gas Large Corporate

[ENDURANCE ENERGY LTD. - THIRD  
AMENDING AGREEMENT]

THE TORONTO-DOMINION BANK, as Lender

By:

Name:

Title:



**Glen Cameron**  
**Director**

By:

Name:

Title:




**Clark Terriff**  
**Managing Director**

**ALBERTA TREASURY BRANCHES, as Lender**

By: M/S  
Name: Mikael/Sears  
Title: Director

By: Mona Sidhu  
Name: Mona Sidhu  
Title: Associate Director

UNION BANK, CANADA BRANCH, as Lender

By:   
Name: Larry Sagrith  
Title: Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FOURTH AMENDING AGREEMENT  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT  
DATED JUNE 27, 2013**

**THIS FOURTH AMENDING AGREEMENT** is made effective as of December 29, 2015,

**BETWEEN:**

**ENDURANCE ENERGY LTD.  
as Borrower**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

- with -

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

- and with -

**BANK OF MONTREAL  
as Syndication Agent**

**PREAMBLE:**

- A. Pursuant to the Credit Agreement dated June 27, 2013, as amended by a first amending agreement dated March 31, 2014, a second amending agreement dated October 31, 2014 and a third amending agreement dated April 30, 2015 (collectively, the "Credit Agreement"), among Endurance Energy Ltd., as Borrower (the "Borrower"), Canadian



Imperial Bank of Commerce, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and those financial institutions who from time to time become lenders thereunder (collectively, the "Lenders"), and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (the "Agent"), such lenders agreed to provide to the Borrower the Credit Facilities.

- B. The Parties wish to amend the Credit Agreement on the terms and conditions herein provided.

**AGREEMENT:**

NOW THEREFORE in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the Parties, the Parties agree as follows:

1. **Definitions.** Capitalized terms used in this Fourth Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this Fourth Amending Agreement (the "Fourth Amendment Date").
3. **Amendments.** Effective as of the Fourth Amendment Date, the Credit Agreement is amended as follows:
  - (a) Section 3.1 of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

**"3.1 Revolving Syndicated Facility.**

Subject to the terms and conditions hereof and effective on the Fourth Amendment Date, the Revolving Syndicated Facility Lenders hereby establish the Revolving Syndicated Facility in favour of the Borrower as an extendible revolving credit facility. Accommodations under the Revolving Syndicated Facility may be drawn down by the Borrower in Canadian Dollars, or the Canadian Dollar Exchange Equivalent thereof in U.S. Dollars, or any combination thereof, to a maximum of the Revolving Syndicated Facility Commitment Amount. The Individual Revolving Syndicated Facility Commitment Amount of each of the Revolving Syndicated Facility Lenders is set out in Schedule B.";

- (b) Each of Section 3.3(a), Section 3.5, Section 3.9(a), the last sentence of Section 3.9(d), Section 3.9(f), Section 3.10(d) and Section 5.2 are hereby amended by deleting each reference therein to "Credit Facility" or "Credit Facilities" and replacing them with "Revolving Facility" or "Revolving Facilities", as applicable;

- (c) Each of Section 3.3(a) and Section 3.3(b) of the Credit Agreement is hereby amended by inserting “of the Revolving Facilities” after each reference therein to Termination Date;
- (d) Each of Section 3.5, Section 3.7(a), Section 3.8(d), Section 5.2(c), Section 5.5, Section 5.6, Section 5.10, Section 6.4, Section 6.5, Section 7.1 and Section 9.1 of the Credit Agreement are hereby amended by deleting each reference therein to “Syndicated Facility” or “Syndicated Facilities” and replacing them with “Revolving Syndicated Facility” or “Revolving Syndicated Facilities”, as applicable;
- (e) Section 3.5 of the Credit Agreement is hereby amended by deleting each reference therein to “Syndicated Facility Lender” or “Syndicated Facility Lenders” and replacing them with “Revolving Syndicated Facility Lender” or “Revolving Syndicated Facility Lenders”, as applicable;
- (f) Each of Section 3.6 and Section 8.3(c) of the Credit Agreement are hereby amended by deleting each reference therein to “Syndicated Facility Commitment Amount” and replacing it with “Revolving Syndicated Facility Commitment Amount”;
- (g) Section 3.6 of the Credit Agreement is hereby amended by deleting the last sentence thereof and replacing it with the following:  
“Any prepayment or cancellation in respect of a Syndicated Facility will be made *pro rata* to all Lenders under such Syndicated Facility on the basis of each such Lender’s Rateable Portion of such Syndicated Facility.”
- (h) Section 3.7 of the Credit Agreement is hereby amended by adding as a new clause (c) the following:  
“(c) Non-Revolving Syndicated Facility. The Borrower will be entitled to use the proceeds of the Non-Revolving Syndicated Facility for the purposes of the repayment of a portion of the Aggregate Principal Amount owing under the Revolving Syndicated Facility.”;
- (i) Section 3.8 of the Credit Agreement is hereby amended by adding the words “under the Revolving Facilities only” to the beginning of clause (b) thereof;
- (j) Section 3.9 of the Credit Agreement is hereby amended by:  
(i) deleting the reference to “Closing Date” in clause (f) thereof and replacing it with “Fourth Amendment Date”; and  
(ii) adding thereto as a new clause (g) thereof the following:  
“(g) Non-Revolving Syndicated Facility. Notwithstanding the Pricing Table, the interest and fees payable by the Borrower in respect of the

Non-Revolving Syndicated Facility will be subject to the applicable margins set forth in the Pricing Table plus 200 Basis Points.”;

(k) Section 3.10 of the Credit Agreement is hereby amended by:

(i) deleting the reference to “as at the Closing Date is \$260,000,000” in clause (a) thereof and replacing it with “as at the Fourth Amendment Date is Cdn. \$245,000,000”;

(ii) deleting clause (b) thereof in its entirety and replacing it with the following:

“(b) Setting of Borrowing Base. A determination of the Borrowing Base will occur on May 31, 2016 and October 31, 2016 and semi-annually thereafter on April 30 and October 31 of each following year (or any portion thereof) any of the Credit Facilities remain available to the Borrower or any Obligations thereunder remain outstanding (in any such case, the “**Borrowing Base Date**”); provided that, notwithstanding the foregoing, an additional redetermination of the Borrowing Base will take place on March 31, 2016. In addition, the Majority Lenders reserve the right to cause a redetermination of the Borrowing Base (i) if the cumulative proceeds of Borrowing Base Dispositions since the last redetermination of the Borrowing Base exceeds 5% of the then current Borrowing Base, and (ii) if an event resulting in a Material Adverse Effect has occurred since the last Borrowing Base determination.”; and

(iii) deleting clause (g) thereof in its entirety and replacing it with the following:

“(g) Increase in the Borrowing Base. The Revolving Syndicated Facility Commitment Amount will not exceed \$185,000,000 and the Non-Revolving Syndicated Facility Commitment Amount will not exceed \$45,000,000 as a result of a Borrowing Base redetermination unless agreed by all of the Lenders, provided that, if a Lender does not consent to an increase in its Individual Commitment Amount resulting from a request for such an increase, the Borrower will be entitled to, but need not, either prepay all Obligations owing to the non-consenting Lender (subject to all prepayment provisions contained herein) without having to cause a similar prepayment to the then consenting Lenders and thereafter cancel such Lender’s Individual Commitment Amount or replace such non-consenting Lender with another Lender (which may be an existing Lender) acceptable to the Agent, acting reasonably, provided that such Lender agrees to assume all of the rights and obligations of such non-consenting Lender under this Agreement by delivering to the Agent and the Borrower a duly executed Assignment. The Operating Facility Commitment Amount will not as a result of the Borrowing Base redetermination exceed Cdn. \$15,000,000 without the consent of the Operating Lender.”;

- (l) The Credit Agreement is hereby amended by adding the following as a new Section 3.12:

**“3.12 Non-Revolving Syndicated Facility.**

Subject to the terms and conditions hereof and effective on the Fourth Amendment Date, the Lenders hereby establish the Non-Revolving Syndicated Facility in favour of the Borrower as a term, non-extendible, non-revolving credit facility. Accommodations under the Non-Revolving Syndicated Facility may be drawn down by the Borrower in Canadian Dollars to a maximum of the Non-Revolving Syndicated Facility Commitment Amount. The Individual Non-Revolving Syndicated Facility Commitment Amount of each of the Non-Revolving Syndicated Facility Lenders is set out in Schedule B. The Borrower may draw down the Non-Revolving Syndicated Facility by way of a one-time Drawdown on the Fourth Amendment Date (including by deeming a portion of the Aggregate Principal Amount owing under the Revolving Syndicated Facility to be owing under the Non-Revolving Syndicated Facility in a manner satisfactory to the Lenders). The Borrower agrees that, after giving effect to the preceding sentence, the Non-Revolving Syndicated Facility will be fully drawn on the Fourth Amendment Date. The Non-Revolving Syndicated Facility Commitment Amount will, subject to Section 3.13.(b) (a) reduce by Cdn. \$12,500,000 to Cdn. \$32,500,000 on March 31, 2016, (b) reduce by Cdn. \$12,500,000 to Cdn. \$20,000,000 on May 31, 2016, and (c) be fully repayable on November 30, 2016. The Non-Revolving Syndicated Facility will automatically reduce by the corresponding amount of any Principal Repayment made in respect thereof from time to time.”;

- (m) The Credit Agreement is hereby amended by adding the following as a new Section 3.13:

**“3.13 Repayment under Non-Revolving Syndicated Facility.**

(a) Repayment. The Aggregate Principal Amount under the Non-Revolving Syndicated Facility shall be due and payable on the Termination Date applicable thereto. In addition on March 31, 2016 and May 31, 2016, the Borrower will repay \$12,500,000 of the Aggregate Principal Amount under the Non-Revolving Syndicated Facility.

(b) Mandatory Prepayment. During the period beginning with the Fourth Amendment Date until and ending at such time as all Obligations under the Non-Revolving Syndicated Facility have been unconditionally and irrevocably repaid in full and the Non-Revolving Syndicated Facility Commitment Amount has been cancelled, the Borrower will make a repayment in an amount equal to:

- (i) 100% of the Net Cash Proceeds of any sale, exchange, lease, transfer or other disposition of any Loan Party’s oil and gas properties and related properties and facilities (other than any Permitted Disposition described in paragraphs (a), (b), (d) and (g) of the definition thereof)

within two Banking Days of receipt thereof, to be applied against the Aggregate Principal Amount of the Non-Revolving Syndicated Facility with a corresponding permanent reduction in the Non-Revolving Syndicated Facility Commitment Amount;

(ii) 100% of the Net Cash Proceeds of:

(A) any issuances of equity interests in the Borrower (other than issuances in connection with any issuances to employees, officers and directors of the Loan Parties in the ordinary course of business in connection with any stock based compensation); and

(B) any issuance or incurrence of any Indebtedness for borrowed money by any Loan Party (excluding Indebtedness described in paragraphs (a), (b), (d), (e), and (f) of the definition of Permitted Indebtedness), in either case within two Banking Days of receipt thereof, to be applied against the Aggregate Principal Amount of the Non-Revolving Syndicated Facility with a corresponding permanent reduction in the Non-Revolving Syndicated Facility Commitment Amount; and

(iii) 100% of the Net Cash Proceeds of any Hedge Monetization within two Banking Days of receipt thereof, to be applied against the Aggregate Principal Amount of the Non-Revolving Syndicated Facility with a corresponding permanent reduction in the Non-Revolving Syndicated Facility Commitment Amount.

Any payments made by the Borrower under this Section 13.3(b) will first apply against the next payment then due to be made under the Non-Revolving Syndicated Facility pursuant to Section 3.12 and will reduce the required amount of such next payment by a like amount.”;

(n) Section 5.8 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

**“5.8 Exchange Rate Fluctuations.**

(a) Subject to Sections 5.8(b) and 5.9, if as a result of currency fluctuation, the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount owing to (i) the Lenders under the Revolving Facilities exceeds the lesser of the Borrowing Base and the aggregate of the Operating Facility Commitment Amount and the Revolving Syndicated Facility Commitment Amount, (ii) the Revolving Syndicated Facility Lenders under the Revolving Syndicated Facility exceeds the Revolving Syndicated Facility Commitment Amount, or (iii) the Operating Lender under the Operating Facility exceeds the Operating Facility Commitment Amount (in the case of (i), (ii) or (iii), the “Excess”), the Borrower will, within 3 Banking Days after a written request from the Agent, pay the applicable Excess to

the Agent as a Principal Repayment for the benefit of the applicable Lenders to be shared on the basis of each applicable Lender's Rateable Portion.

(b) If the applicable Excess represents an amount which is less than 3% of the lesser of (i) the then current Borrowing Base and (ii) the aggregate of the Revolving Syndicated Facility Commitment Amount and the Operating Facility Commitment Amount, then the Borrower will only be required to repay the applicable Excess on the earlier of the next Rollover Date or Conversion Date and 30 days after written request from the Agent.”;

- (o) Each of Section 6.3, Section 6.4 and Section 6.5 are hereby amended by deleting the references therein to “Lender” and “Lenders” and replacing it with “Revolving Syndicated Facility Lender” or “Revolving Syndicated Facility Lenders” as applicable;
- (p) Section 6.3 of the Credit Agreement is hereby amended by deleting the references therein to “(under the Syndicated Facility)” and “relevant to the Syndicated Facility”;
- (q) The Credit Agreement is hereby amended by adding the following as a new Section 16.6:

**“16.6 Adjustments.**

After all Obligations are declared by the Agent to be due and payable pursuant to Section 16.2, (i) each Lender agrees that it will at any time or from time to time thereafter at the request of the Agent as required by any Lender, purchase at par on a non-recourse basis a participation in the Aggregate Principal Amount owing to each of the other Lenders and make any other adjustments as are reasonably necessary or appropriate (including indemnities for any then outstanding Letters of Credit, Bankers' Acceptances and LIBOR Based Loans), in order that the Aggregate Principal Amounts owing to each of the Lenders, as adjusted pursuant to this Section 16.6, will be in the same proportion as each Lender's Individual Commitment Amount was to the Commitment Amount immediately prior to the Event of Default resulting in such declaration, and (ii) the amount of any repayment made by or on behalf of the Loan Parties under the Loan Documents or any proceeds received by the Agent or the Lenders pursuant to Section 16.4(c) will be applied by the Agent in a manner such that to the extent possible the amount of the Aggregate Principal Amount owing to each Lender after giving effect to such application will be in the same proportion as each Lender's Individual Commitment Amount was to the Commitment Amount immediately prior to the Event of Default resulting in such declaration.”;

- (r) Schedule A to the Credit Agreement is hereby amended as follows:
  - (i) the definition of “Borrowing Base Disposition” as set forth therein is amended by deleting it in its entirety and replacing it with the following:

“**Borrowing Base Disposition**” means (a) the sale, assignment, lease, transfer or exchange or other disposition by any Loan Party to any Person (other than another Loan Party) of all or any portion of its rights, title and interest in any Borrowing Base Properties, or (b) a Hedge Monetization.”;

- (ii) the definition of “Commitment Amount” as set forth therein is amended by deleting it in its entirety and replacing it with the following:

“**Commitment Amount**” means the aggregate of the Operating Facility Commitment amount, the Revolving Syndicated Facility Commitment Amount and the Non-Revolving Facility Commitment Amount.”;

- (iii) the definition of “Credit Facilities” as set forth therein is amended by deleting the reference to “and Syndicated Facility” and replacing it with “Revolving Syndicated Facility and the Non-Revolving Syndicated Facility”;

- (iv) the definition of “Individual Syndicated Facility Commitment Amount” as set forth therein is deleted in its entirety and replaced with the following:

“**Individual Revolving Syndicated Facility Commitment Amount**” means, from time to time, in respect of a Revolving Syndicated Facility Lender that portion of the Revolving Syndicated Facility Commitment Amount which such Lender has severally agreed to make available to the Borrower in accordance with the terms and conditions of the Agreement, subject to adjustment pursuant to the terms of the Agreement.”;

- (v) the definition of “Lenders” as set forth therein is amended by deleting the reference to “Syndicated Facility Lenders” and replacing it with “Revolving Syndicated Facility Lenders, Non-Revolving Syndicated Facility Lenders”;

- (vi) the definition of “Net Cash Proceeds” as set forth therein is hereby amended by adding the words “(or for purposes of Section 3.13(b), any other deposition or equity issuance)” after the words “Borrowing Base Dispositions” upon each occurrence thereof therein;

- (vii) the definition of “Rateable Portion” as set forth therein is hereby amended by deleting clause (a) thereto and replacing it with the following:

“(a) in respect of any Syndicated Facility, the proportion of the Individual Commitment Amount of each Lender thereunder relative to the aggregate of the Individual Commitment Amount of Lenders under such Syndicated Facility.”;

- (viii) the definition of “Syndicated Facility” as set forth therein is deleted in its entirety, replaced with the following and set in appropriate alphabetical order:

“ **Revolving Syndicated Facility**” means the credit facility established in favour of the Borrower pursuant to Section 3.1.”;

- (ix) the definition of “Syndicated Facility Commitment Amount” as set forth therein is deleted in its entirety, replaced with the following and set in appropriate alphabetical order:

“ **Revolving Syndicated Facility Commitment Amount**” means Cdn. \$185,000,000, as such amount may be reduced in accordance with this Agreement or increased with the unanimous consent of the Revolving Syndicated Facility Lenders.”;

- (x) the definition of “Syndicated Facility Lenders” as set forth therein is deleted in its entirety, replaced with the following and set in appropriate alphabetical order:

“ **Revolving Syndicated Facility Lenders**” means, as of the Fourth Amendment Date, CIBC, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and thereafter, each Person which may become a Party to this Agreement, as a lender under the Revolving Syndicated Facility, by executing and delivering to the Agent and to the Borrower an Assignment, and each of their respective successors and permitted assigns.”;

- (xi) the definition of “Termination Date” as set forth therein is deleted in its entirety and replaced with the following:

“ **Termination Date**” means (a) in respect of the Revolving Facilities as of the Fourth Amendment Date, June 27, 2018, as such date may be extended in respect of any Lender pursuant to Section 3.3, and (b) in respect of the Non-Revolving Syndicated Facility, November 30, 2016.”;

- (xii) by adding the following definitions in the appropriate alphabetical order:

“ **Fourth Amendment Date**” means December 29, 2015.”;

“ **Hedge Monetization**” means the termination, restructuring or unwinding of any Hedging Agreement (but, for certainty, excluding the termination thereof on the scheduled maturity date thereof) in respect of commodity prices which was in effect as of the last Borrowing Base determination which has resulted in proceeds being paid to a Loan Party.”;



“ **Individual Non-Revolving Syndicated Facility Commitment Amount**” means in respect of a Non-Revolving Syndicated Facility Lender, the amount set forth opposite its name under the heading “Non-Revolving Syndicated Facility” in Schedule B.”;

“ **Non-Revolving Syndicated Facility**” means the credit facility established in favour of the Borrower pursuant to Section 3.13.”;

“ **Non-Revolving Syndicated Facility Commitment Amount**” means \$45,000,000, as such amount may be reduced in accordance with this agreement.”

“ **Non-Revolving Syndicated Facility Lenders**” means, as of the Fourth Amendment Date, CIBC, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch, and thereafter, each Person which may become a Party to this Agreement, as a lender under the Non-Revolving Syndicated Facility, by executing and delivering to the Agent and to the Borrower an Assignment, and each of their respective successors and permitted assigns.”;

“ **Revolving Facilities**” means, collectively, the Revolving Syndicated Facility and the Operating Facility, and “Revolving Facility” means either of them.”; and

“ **Syndicated Facilities**” means collectively the Revolving Syndicated Facility and the Non-Revolving Syndicated Facility, and “Syndicated Facility” means either of them.”;

(s) Schedule B to the Credit Agreement is hereby deleted in its entirety and replaced with Exhibit 1 attached hereto;

(t) Schedule D to the Credit Agreement is hereby amended by adding the following as a new clause 9 thereto:

“9. The cumulative proceeds received by the Borrower in respect of Borrowing Base Dispositions since the date of the last determination of the Borrowing Base is \$\_\_\_\_\_.”; and

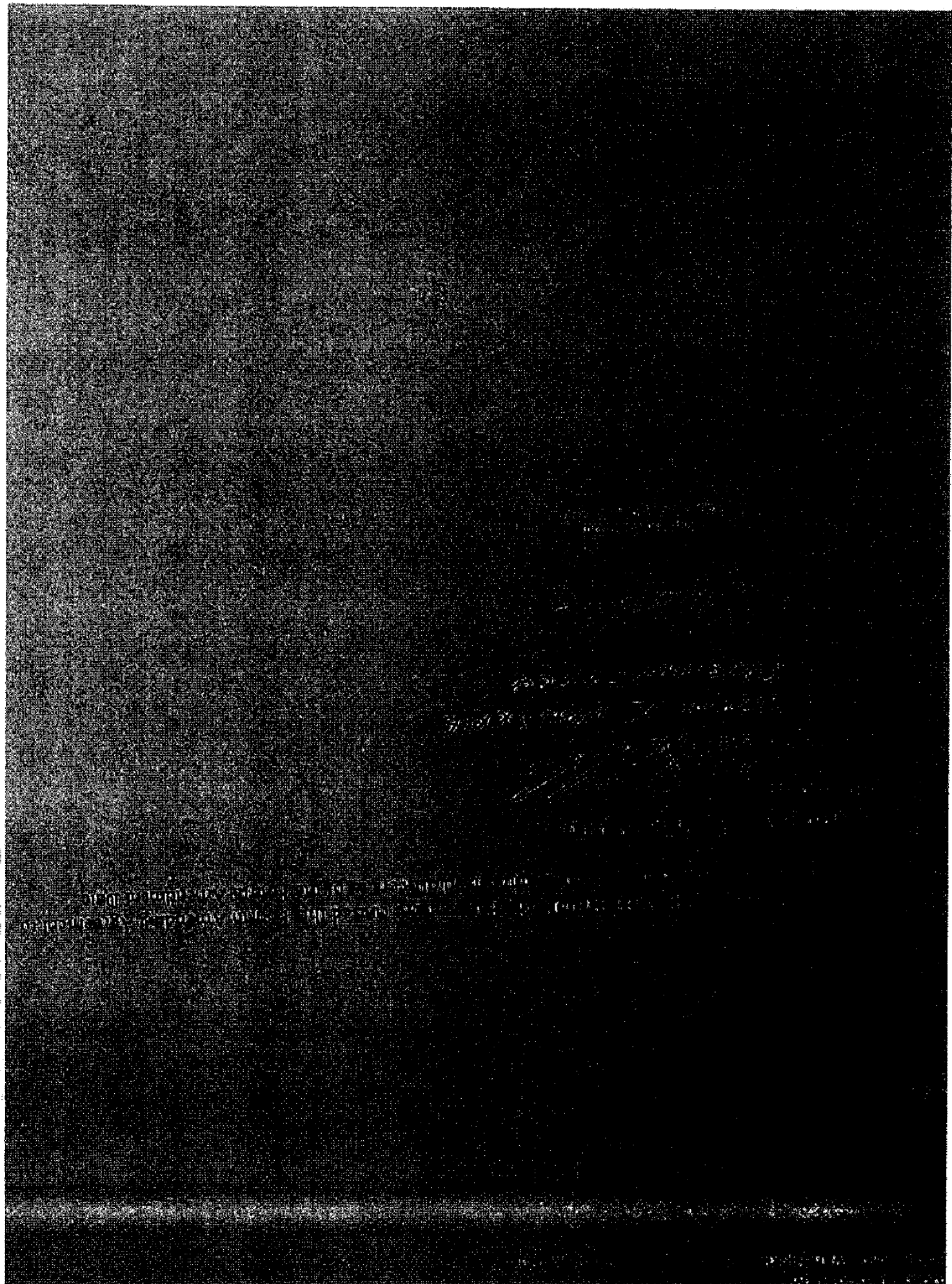
(u) Schedule F to the Credit Agreement is hereby deleted in its entirety and replaced with Exhibit 2 attached hereto.

4. **Representations and Warranties.** To confirm each Lender’s understanding concerning the Borrower and its business, properties and obligations, and to induce the Agent and each Lender to enter into this Fourth Amending Agreement, the Borrower hereby reaffirms to the Agent and each Lender that, as of the date hereof, its representations and warranties contained in Section 12.1 of the Credit Agreement, except to the extent such representations and warranties relate solely to an earlier date, are true and correct in all


material respects and additionally represents and warrants as follows:

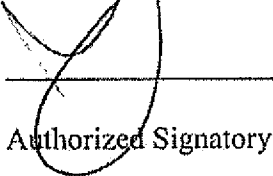
- (a) the execution and delivery of this Fourth Amending Agreement and the performance by it of its obligations under this Fourth Amending Agreement: (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary governmental approvals (if any required), and (iv) do not and will not contravene or conflict with any provision of applicable Law or of its constating documents or by-laws; and
  - (b) this Fourth Amending Agreement is a legal, valid and binding obligation of it, enforceable in accordance with its terms except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, winding-up, moratorium or similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity.
5. **Continuing Effect.** Each of the Parties acknowledges and agrees that the Credit Agreement, as amended hereby, and all other Loan Documents (including the Security) and Hedging Agreements entered into with a Swap Lender will be and continue in full force and effect and are hereby confirmed and the rights and obligations of all Parties thereunder will not be effected or prejudiced in any manner except as specifically provided herein.
6. **Further Assurances.** The Borrower will from time to time forthwith at the Agent's request and at the Borrower's own cost and expense make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this Fourth Amending Agreement.
7. **Expenses.** The Borrower will be liable for all expenses of the Agent or the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full indemnity basis) and other documented out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of the Credit Facilities and of this Fourth Amending Agreement (whether or not consummated) by the Agent or the Lenders.
8. **Counterparts.** This Fourth Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitutes one and the same instrument. Any Party may execute this Fourth Amending Agreement by signing any counterpart.

*[The remainder of this page has intentionally been left blank.]*



**CANADIAN IMPERIAL BANK OF  
COMMERCE, as Agent and Lender**

By: \_\_\_\_\_  
Name:  **Brad Kay**  
Title: **Authorized Signatory** **Authorized Signatory**

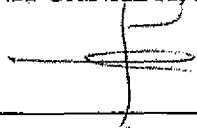
By: \_\_\_\_\_  
Name:  **Craig Werbicki**  
Title: **Authorized Signatory** **Authorized Signatory**

**BANK OF MONTREAL,**  
as Lender

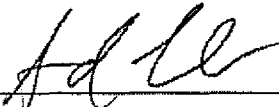
By:   
Name: \_\_\_\_\_  
Title: R.P. Heinrichs  
Managing Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HSBC BANK CANADA, as Lender**




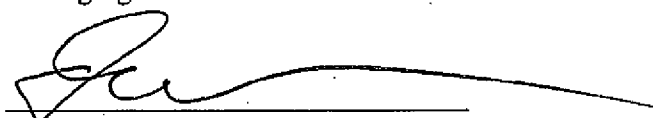
By: \_\_\_\_\_  
Name: **Oyewole Fasehun**  
Title: **Analyst, Large Corporate Oil & Gas**



By: \_\_\_\_\_  
Name: **ADAM LAMB**  
Title: **Assistant Vice President  
Oil & Gas Large Corporate**

**THE TORONTO-DOMINION BANK, as Lender**

By:   
Name: David Radomsky  
Title: Managing Director

By:   
Name: Glen Cameron  
Title: Director

ALBERTA TREASURY BRANCHES, as Lender

By:   
Name: \_\_\_\_\_  
Title: **Mikael Sears**  
**Director, Energy**

By:   
Name: \_\_\_\_\_  
Title: **Clayton Martin**  
**Director Energy**



**UNION BANK, CANADA BRANCH, as Lender**

By:   
\_\_\_\_\_

Name:

**Beau Filkowski**

Title:

**Vice President**

By: \_\_\_\_\_

Name:

Title:

EXHIBIT 1

SCHEDULE B  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013

INDIVIDUAL COMMITMENT AMOUNTS OF LENDERS

<u>Lenders</u>	<u>Non- Revolving Syndicated Facility Commitment Amount (Cdn.\$)</u>	<u>Revolving Syndicated Facility Commitment Amount (Cdn.\$)</u>	<u>Operating Facility Credit Agreement (Cdn. \$)</u>	<u>Total (Cdn. \$)</u>
Canadian Imperial Bank of Commerce	\$10,300,000	\$31,200,000	\$15,000,000	\$56,500,000
Bank of Montreal	\$10,300,000	\$46,200,000		\$56,500,000
HSBC Bank Canada	\$6,100,000	\$26,900,000		\$33,000,000
	\$6,100,000	\$26,900,000		\$33,000,000
The Toronto-Dominion Bank				
Alberta Treasury Branches	\$6,100,000	\$26,900,000		\$33,000,000
Union Bank, Canada Branch	\$6,100,000	\$26,900,000		\$33,000,000
<b>Total Syndicated Facilities Commitment Amount</b>	<b>\$45,000,000</b>	<b>\$185,000,000</b>	<b>\$15,000,000</b>	<b>\$245,000,000</b>

EXHIBIT 2

SCHEDULE F  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT DATED JUNE 27, 2013

FORM OF NOTICE OF BORROWING

TO: Canadian Imperial Bank of Commerce ("CIBC"), as Agent  
Attention: Global Agent Administration  
Fax: (416) 956-3830  
Email: Severyn.Borowski@cibc.ca / Marina.Tellis@cibc.ca

RE: Credit Agreement (the "Credit Agreement") dated as of June 27, 2013 among  
Endurance Energy Ltd. (the "Borrower"), CIBC and those other financial  
institutions which are or hereafter become lenders thereunder (the "Lenders"),  
and CIBC, as administrative agent for the Lenders (the "Agent")

DATE: [•]

1. THE DRAWDOWN DATE IS THE \_\_\_\_ DAY OF \_\_\_\_\_, \_\_\_\_\_.
2. Pursuant to Section 5.2 of the Credit Agreement, the undersigned hereby irrevocably requests that the following Advances be made available under the applicable Credit Facility:

Revolving Syndicated Facility:

<u>TYPE OF ADVANCE</u>	<u>PRINCIPAL AMOUNT</u>	<u>TERM</u>
Canadian Prime Rate Loan	_____	N/A
U.S. Base Rate Loan	_____	N/A
Bankers' Acceptances	_____	_____
LIBOR Based Loan	_____	_____

Non-Revolving Syndicated Facility:

<u>TYPE OF ADVANCE</u>	<u>PRINCIPAL AMOUNT</u>	<u>TERM</u>
Canadian Prime Rate Loan	_____	N/A
Bankers' Acceptances	_____	_____

Operating Facility:

<u>TYPE OF ADVANCE</u>	<u>PRINCIPAL AMOUNT</u>	<u>TERM</u>
Canadian Prime Rate Loan	_____	N/A
U.S. Base Rate Loan	_____	N/A
Bankers' Acceptances	_____	_____
Letters of Credit	_____	_____

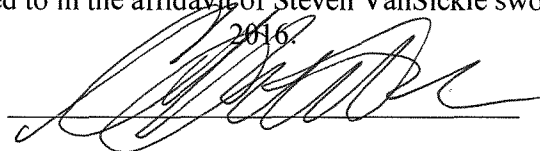
3. As of the date of this Notice of Borrowing, no Default or Event of Default has occurred and is continuing and each of the representations and warranties of the Borrower set forth in the Loan Documents deemed to be made on each Drawdown is true and correct as of the date of the requested Drawdown.
4. Capitalized terms used herein and not otherwise defined herein have the meanings given to them by the Credit Agreement.

**DATED** at Calgary, Alberta effective as of the date and year first written above.

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name: [•]  
Title: [•]

This is Exhibit "E" referred to in the affidavit of Steven VanSickle sworn before me on May 30, 2016.

A handwritten signature in black ink, appearing to read 'J. Hunter', written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

**J. HUNTER**

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

Search ID#: Z07763529

**Transmitting Party**

WEST-END REGISTRATIONS LICENSING & SEARCHES LTD.  
(P158)

10011 170 STREET  
EDMONTON, AB T5P 4R5

Party Code: 50076967

Phone #: 780 483 8211

Reference #: 01268677-44243

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Both Exact and Inexact Result(s) Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.

Be sure to read the reports carefully.



Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

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Registration Number: 11121408062

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Dec-14

Registration Status: Current

Expiry Date: 2017-Dec-14 23:59:59

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Exact Match on: Debtor

No: 2

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**Amendments to Registration**

13110723649

Amendment

2013-Nov-07

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**Debtor(s)**

**Block**

1 ENCANA CORPORATION  
1800-855 2ND STREET SW  
CALGARY, AB T2P4Z5

**Status**

Deleted by  
13110723649

**Block**

2 ENDURANCE ENERGY LTD.  
400-444 5TH AVENUE ST  
CALGARY, AB T2P2T8

**Status**

Current by  
13110723649

**Secured Party / Parties**

**Block**

1 NATIONAL LEASING GROUP INC.  
1525 Buffalo Place  
WINNIPEG, MB R3T 1L9

**Status**

Current

Phone #: 204 954 9000

Fax #: 204 954 9099

**Collateral: General**

**Block**

**Description**

**Status**

Search ID#: Z07763529

- |   |  |                           |
|---|--|---------------------------|
| 1 | ALL GPS SYSTEMS, SOFTWARE, EQUIPMENT OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2559000 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.      | Deleted By<br>13110723649 |
| 2 | ALL GPS SYSTEMS, SOFTWARE AND ACCESSORIES OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2636185 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS. | Current By<br>13110723649 |

**Particulars**

<b><u>Block</u></b>	<b><u>Additional Information</u></b>	<b><u>Status</u></b>
1	PURCHASE MONEY SECURITY INTEREST	Current



Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

---

Registration Number: 13062524596

Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Jun-25

Registration Status: Current

Expiry Date: 2023-Jun-25 23:59:59

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

1 ENDURANCE ENERGY LTD.  
Suite 400, 444 5th Avenue S.W.  
Calgary, AB T2P 2T8

**Status**

Current

**Secured Party / Parties**

**Block**

1 CANADIAN IMPERIAL BANK OF COMMERCE, AS AGENT  
595 Bay Street, 5th Floor  
Toronto, ON M5G 2C2

**Status**

Current

**Collateral: General**

**Block**      **Description**

1 All present and after-acquired personal property of the Debtor.

**Status**

Current

**Particulars**

**Block**      **Additional Information**

1 The complete address of the Secured Party in Block 1 is:

**Status**

Current

Canadian Imperial Bank of Commerce, as Agent  
Wholesale Banking Operations, Credit Processing Services  
595 Bay Street, 5th Floor  
Toronto, Ontario M5G 2C2  
Attn: Security Department  
Tel: 416-980-8085 Fax: 416-980-8150

Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

---

Registration Number: 13062524618

Registration Type: LAND CHARGE

Registration Date: 2013-Jun-25

Registration Status: Current

Registration Term: Infinity

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 ENDURANCE ENERGY LTD.  
Suite 400, 444 5th Avenue S.W.  
Calgary, AB T2P 2T8

Current

**Secured Party / Parties**

**Block**

**Status**

1 CANADIAN IMPERIAL BANK OF COMMERCE, AS AGENT  
595 Bay Street, 5th Floor  
Toronto, ON M5G 2C2

Current

**Particulars**

**Block**

**Additional Information**

**Status**

1 The complete address of the Secured Party in Block 1 is:

Current

Canadian Imperial Bank of Commerce, as Agent  
Wholesale Banking Operations, Credit Processing Services  
595 Bay Street, 5th Floor  
Toronto, Ontario M5G 2C2  
Attn: Security Department  
Tel: 416-980-8085 Fax: 416-980-8150

Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

---

Registration Number: 13070514423

Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Jul-05

Registration Status: Current

Expiry Date: 2018-Jul-05 23:59:59

---

Exact Match on: Debtor No: 2

Exact Match on: Debtor No: 3

---

**Amendments to Registration**

15102623505

Amendment

2015-Oct-26

---

**Debtor(s)**

**Block**

1 ENDURANCE ENERGY LTD.  
444-5th Avenue SW, Suite 400  
Calgary, AB T2P 2T8

**Status**

Deleted by  
15102623505

**Block**

2 ENDURANCE ENERGY LTD.  
2400, 525 - 8th Avenue SW  
Calgary, AB T2P 1G1

**Status**

Current

**Block**

3 ENDURANCE ENERGY LTD.  
215, 9TH AVENUE SW, SUITE 800  
CALGARY, AB T2P 1K3

**Status**

Current by  
15102623505

**Secured Party / Parties**

**Block**

1 ARI FINANCIAL SERVICES INC.  
600-1270 Central Parkway West  
Mississauga, ON L5C 4P4

**Status**

Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL PRESENT AND FUTURE MOTOR VEHICLES (INCLUDING WITHOUT	Current
2	LIMITATION, PASSENGER AUTOMOBILES, VANS, TRUCKS,	Current
3	TRUCK-TRACTORS, TRUCK-TRAILERS, TRUCK-CHASSIS AND	Current
4	TRUCK-BODIES), AUTOMOTIVE EQUIPMENT (INCLUDING, WITHOUT	Current
5	LIMITATION, TRAILERS, BOXES AND REFRIGERATION UNITS),	Current
6	MATERIALS-HANDLING EQUIPMENT, SNOWMOBILES AND OTHER GOODS	Current
7	(WHETHER SIMILAR OR DISSIMILAR TO THE FOREGOING) LEASED FROM	Current
8	TIME TO TIME BY THE SECURED PARTY TO THE DEBTOR, TOGETHER	Current
9	WITH, IN EACH CASE, ALL PRESENT AND FUTURE PARTS,	Current
10	ATTACHMENTS, ACCESSORIES AND ACCESSIONS ATTACHED THERETO OR	Current
11	INSTALLED THEREIN, AND ALL PROCEEDS (AS DEFINED BELOW) OF OR	Current
12	RELATING TO ANY OF THE FOREGOING.	Current
13	PROCEEDS: ALL PROCEEDS OF ANY OF THE ABOVE COLLATERAL IN ANY	Current
14	FORM (INCLUDING WITHOUT LIMITATION, GOODS, DOCUMENTS OF	Current
15	TITLE, CHATTEL PAPER, SECURITIES, INSTRUMENTS, MONEY AND	Current
16	INTANGIBLES (AS EACH SUCH TERMS IS DEFINED IN THE PERSONAL	Current
17	PROPERTY SECURITY ACT)) DERIVED DIRECTLY OR INDIRECTLY FROM	Current
18	ANY DEALING WITH ANY OF THE ABOVE COLLATERAL OR ANY PROCEEDS	Current
19	THEREOF.	Current

Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

---

Registration Number: 13110724290

Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Nov-07

Registration Status: Current

Expiry Date: 2017-Nov-07 23:59:59

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 ENDURANCE ENERGY LTD.  
400-444 5TH AVENUE  
CALGARY, AB T2P2T8

Current

**Secured Party / Parties**

**Block**

**Status**

1 NATIONAL LEASING GROUP INC.  
1525 Buffalo Place  
WINNIPEG, MB R3T 1L9

Current

Phone #: 204 954 9000

Fax #: 204 954 9099

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL GPS SYSTEMS, SOFTWARE AND ACCESSORIES OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2635408 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.

Current

Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

---

Registration Number: 13111825506

Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Nov-18

Registration Status: Current

Expiry Date: 2017-Nov-18 23:59:59

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

1 ENDURANCE ENERGY LTD.  
400-444 5TH AVE SW  
CALGARY, AB T2P2T8

**Status**

Current

**Secured Party / Parties**

**Block**

1 NATIONAL LEASING GROUP INC.  
1525 Buffalo Place  
WINNIPEG, MB R3T 1L9

**Status**

Current

Phone #: 204 954 9000

Fax #: 204 954 9099

**Collateral: General**

**Block**

**Description**  
1 ALL GPS SYSTEMS OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2635413 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.

**Status**

Current

**Particulars**

**Block**

**Additional Information**

1 PURCHASE MONEY SECURITY INTEREST

**Status**

Current

Search ID#: Z07763529

**Business Debtor Search For:**

ENDURANCE ENERGY LTD

Search ID #: Z07763529

Date of Search: 2016-Mar-28

Time of Search: 12:04:48

---

Registration Number: 14060926204

Registration Type: SECURITY AGREEMENT

Registration Date: 2014-Jun-09

Registration Status: Current

Expiry Date: 2024-Jun-09 23:59:59

---

Inexact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 ENDURANCE HEAVY DUTY MECHANICAL SERVICES INC.  
Box 7692  
Drayton Valley, AB T7A 1S2

Current

**Secured Party / Parties**

**Block**

**Status**

1 ALBERTA TREASURY BRANCHES-07569  
BOX 277  
BRETON, AB T0C0P0  
  
Phone #: 780 696 3664 Fax #: 780 696 2426

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.  
PROCEEDS: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE  
DEBTOR.

Current

Result Complete

List of matches: Index: BUSINESS DEBTOR

Exact: ENDURANCE ENERGY LTD  
Exact: ENDURANCE ENERGY LTD.  
Exact: ENDURANCE ENERGY LTD.  
Exact: ENDURANCE ENERGY LTD.  
Exact: ENDURANCE ENERGY LTD.

Similar: ENDURANCE ENERGY

Search Criteria: ENDURANCE ENERGY LTD. Index: BUSINESS DEBTOR

\*\*\*\*\* P P S A S E C U R I T Y A G R E E M E N T \*\*\*\*\*

Reg. Date: JUN 25, 2013 Reg. Length: 10 YEARS  
Reg. Time: 08:51:14 Expiry Date: JUN 25, 2023  
Base Reg. #: 420728H Control #: D1868650

Block#

S0001 Secured Party: CANADIAN IMPERIAL BANK OF COMMERCE  
595 BAY STREET, 5TH FLOOR  
TORONTO ON M5G 2C2

S0002 Secured Party: CANADIAN IMPERIAL BANK OF COMMERCE,  
AS AGENT  
595 BAY STREET, 5TH FLOOR  
TORONTO ON M5G 2C2

=D0001 Base Debtor: ENDURANCE ENERGY LTD  
(Business) 444-5TH AVENUE SW, STE 400  
CALGARY AB T2P 2T8

General Collateral:  
ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND AN  
UNCRYSTALLIZED FLOATING CHARGE ON LAND.

THE FULL ADDRESS OF THE SECURED PARTY IS: WHOLESALE BANKING  
OPERATIONS, CREDIT PROCESSING SERVICES, 595 BAY STREET, 5TH FLOOR,  
TORONTO, ONTARIO M5G 2C2.

Registering  
Party: LAWSON LUNDELL LLP  
1600 925 WEST GEORGIA STREET  
VANCOUVER BC V6C 3L2

----- A M E N D M E N T / O T H E R C H A N G E -----

Reg. #: 423899H Reg. Date: JUN 26, 2013  
Reg. Time: 11:39:37  
Control #: D1872479  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 420728H Base Reg. Date: JUN 25, 2013

Details Description:  
ADDITIONAL DEBTOR.

Block#

\*\*\* ADDED \*\*\*  
D0002 Bus. Debtor: ENDURANCE BC GAS LTD  
444-5TH AVENUE SW, STE 400  
CALGARY AB T2P 2T8

Search Criteria: ENDURANCE ENERGY LTD. Page: 2

Registering  
Party: LAWSON LUNDELL LLP  
1600 925 WEST GEORGIA STREET  
VANCOUVER BC V6C 3L2

\*\*\*\*\* P P S A S E C U R I T Y A G R E E M E N T \*\*\*\*\*

Reg. Date: AUG 21, 2013 Reg. Length: 3 YEARS  
Reg. Time: 07:28:08 Expiry Date: AUG 21, 2016



Base Reg. #: 519252H Control #: D1970713  
Block#

S0001 Secured Party: NATIONAL LEASING GROUP INC.  
1525 BUFFALO PLACE  
WINNIPEG MB R3T 1L9

=D0001 Base Debtor: ENDURANCE ENERGY LTD.  
(Business) 4404 55TH STREET  
FORT NELSON BC V0C1R0

General Collateral:  
ALL ELECTRONIC & VIDEO EQUIPMENT-GAS DETECTION MONITORS OF EVERY  
NATURE OR KIND DESCRIBED IN LEASE NUMBER 2630279 BETWEEN THE  
SECURED PARTY, AS LESSOR AND THE DEBTOR, AS LESSEE, AS AMENDED  
FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES  
AND SUBSTITUTIONS.

\*\*\*\*\* P P S A S E C U R I T Y A G R E E M E N T \*\*\*\*\*

Reg. Date: APR 14, 2014 Reg. Length: 5 YEARS  
Reg. Time: 16:07:41 Expiry Date: APR 14, 2019  
Base Reg. #: 900948H Control #: D2362746

Block#

S0001 Secured Party: ARI FINANCIAL SERVICES INC.  
600-1270 CENTRAL PARKWAY WEST  
MISSISSAUGA ON L5C 4P4

+++ Base Debtor: ENDURANCE ENERGY LTD.  
(Business) 444-5TH AVE SW, STE 400  
CALGARY AB T2P 2T8

=D0002 Bus. Debtor: ENDURANCE ENERGY LTD.  
2400, 525 - 8TH AVENUE SW  
CALGARY AB T2P 1G1

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
V0001	MV	1FD8X3F6XEED44124	2014 FORD	
V0002	MV	1FD8X3F61EEB44125	2014 FORD	

General Collateral:  
ALL PRESENT AND FUTURE MOTOR VEHICLES (INCLUDING WITHOUT LIMITATION,  
PASSENGER AUTOMOBILES, VANS, TRUCKS, TRUCK-TRACTORS, TRUCK-TRAILERS,  
TRUCK-CHASSIS AND TRUCK-BODIES), AUTOMOTIVE EQUIPMENT (INCLUDING,  
WITHOUT LIMITATION, TRAILERS, BOXES AND REFRIGERATION UNITS),  
MATERIALS-HANDLING EQUIPMENT AND OTHER GOODS (WHETHER SIMILAR OR

Continued on Page 3

Search Criteria: ENDURANCE ENERGY LTD.

Page: 3

DISSIMILAR TO THE FOREGOING) LEASED FROM TIME TO TIME BY THE SECURED  
PARTY TO THE DEBTOR, TOGETHER WITH, IN EACH CASE, ALL PRESENT AND  
FUTURE PARTS, ATTACHMENTS, ACCESSORIES AND ACCESSIONS ATTACHED THERETO  
OR INSTALLED THEREIN, AND ALL PROCEEDS (AS DEFINED BELOW) OF OR  
RELATING TO ANY OF THE FOREGOING.  
PROCEEDS: ALL PROCEEDS OF ANY OF THE ABOVE COLLATERAL IN ANY FORM  
(INCLUDING WITHOUT LIMITATION, GOODS, DOCUMENTS OF TITLE, CHATTEL  
PAPER, SECURITIES, INSTRUMENTS, MONEY AND INTANGIBLES (AS EACH SUCH  
TERMS IS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)) DERIVED  
DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH ANY OF THE ABOVE  
COLLATERAL OR ANY PROCEEDS THEREOF.

Registering

Party: ARI FINANCIAL SERVICES INC.  
600-1270 CENTRAL PARKWAY WEST  
MISSISSAUGA ON L5C 4P4

----- A D D I T I O N O F C O L L A T E R A L / P R O C E E D S -----

Reg. #: 007763I Reg. Date: JUN 10, 2014  
Reg. Time: 13:51:36  
Control #: D2472046

Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 900948H Base Reg. Date: APR 14, 2014

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
*** ADDED ***				
V0003	MV	1FT8X3D67EEA63248	2014 FORD	
*** ADDED ***				
V0004	MV	1FD8X3F66EEB44122	2014 FORD	
*** ADDED ***				
V0005	MV	1FD8X3F68EEB44123	2014 FORD	

Registering

Party: D & H LIMITED PARTNERSHIP  
4126 NORLAND AVENUE, SUITE 201

BURNABY BC V5G 3S8

----- ADDITION OF COLLATERAL / PROCEEDS -----

Reg. #: 169916I Reg. Date: SEP 09, 2014  
Reg. Time: 14:20:55  
Control #: D2638212  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 900948H Base Reg. Date: APR 14, 2014

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
*** ADDED ***				
V0006 MV	1FD8X3F69FEA48518	2015	FORD	
*** ADDED ***				
V0007 MV	1FD8X3F61FEA48514	2015	FORD	
*** ADDED ***				
V0008 MV	1FD8X3F65FEA48516	2015	FORD	

Continued on Page 4

Search Criteria: ENDURANCE ENERGY LTD.

Page: 4

Registering

Party: D & H LIMITED PARTNERSHIP  
4126 NORLAND AVENUE, SUITE 201  
BURNABY BC V5G 3S8

----- ADDITION OF COLLATERAL / PROCEEDS -----

Reg. #: 238267I Reg. Date: OCT 17, 2014  
Reg. Time: 10:35:15  
Control #: D2708252  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 900948H Base Reg. Date: APR 14, 2014

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
*** ADDED ***				
V0009 MV	1FD8X3F63FEA48515	2015	FORD	
*** ADDED ***				
V0010 MV	1FD8X3F67FEA48517	2015	FORD	

Registering

Party: D & H LIMITED PARTNERSHIP  
4126 NORLAND AVENUE, SUITE 201  
BURNABY BC V5G 3S8

----- ADDITION OF COLLATERAL / PROCEEDS -----

Reg. #: 287607I Reg. Date: NOV 14, 2014  
Reg. Time: 10:37:25  
Control #: D2758782  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 900948H Base Reg. Date: APR 14, 2014

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
*** ADDED ***				
V0011 MV	1FD8X3F60FEA48519	2015	FORD	

Registering

Party: D & H LIMITED PARTNERSHIP  
4126 NORLAND AVENUE, SUITE 201  
BURNABY BC V5G 3S8

----- ADDITION OF COLLATERAL / PROCEEDS -----

Reg. #: 343075I Reg. Date: DEC 15, 2014  
Reg. Time: 11:19:34  
Control #: D2815715  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 900948H Base Reg. Date: APR 14, 2014

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
*** ADDED ***				
V0012 MV	1FT8X3D69FEA19480	2015	FORD	

Continued on Page 5

Search Criteria: ENDURANCE ENERGY LTD.

Page: 5



\*\*\* ADDED \*\*\*  
D0003 Bus. Debtor: ENDURANCE ENERGY LTD.  
215, 9TH AVENUE SW, SUITE 800  
CALGARY AB T2P 1K3

Registering  
Party: D & H LIMITED PARTNERSHIP  
4126 NORLAND AVENUE, SUITE 201  
BURNABY BC V5G 3S8

----- A M E N D M E N T / O T H E R C H A N G E -----

Reg. #: 954987I Reg. Date: NOV 16, 2015  
Reg. Time: 09:00:42  
Control #: D3441531  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 900948H Base Reg. Date: APR 14, 2014

Details Description:  
ADD SERIAL COLLATERAL

Vehicle Collateral:  
Type Serial # Year Make/Model MH Reg.#

\*\*\* ADDED \*\*\*  
V0020 MV 1GT22XEG5FZ127607 2015 GMC

Continued on Page 7

Search Criteria: ENDURANCE ENERGY LTD.

Page: 7

Registering  
Party: D & H LIMITED PARTNERSHIP  
4126 NORLAND AVENUE, SUITE 201  
BURNABY BC V5G 3S8

\*\*\*\*\* P P S A S E C U R I T Y A G R E E M E N T \*\*\*\*\*

Reg. Date: AUG 21, 2014 Reg. Length: 1 YEAR  
Reg. Time: 09:45:59 Expiry Date: AUG 21, 2016  
Base Reg. #: 137886I Control #: D2605339

\*\*\* Expiry date includes subsequent registered renewal(s).  
Block#

S0001 Secured Party: ATCO STRUCTURES & LOGISTICS LTD  
982 BOUNDARY ROAD  
PRINCE GEORGE BC V2N 5T2

=D0001 Base Debtor: ENDURANCE ENERGY LTD.  
(Business) SUITE 400, 444-5TH AVE SW  
CALGARY AB T2P 2T8

Vehicle Collateral:  
Type Serial # Year Make/Model MH Reg.#

V0001 MH 252074836 2007 OFFICE NR  
V0002 MH 252074837 2007 OFFICE NR

----- R E N E W A L -----

Reg. #: 783613I Reg. Date: AUG 14, 2015  
Reg. Life: 1 YEAR Reg. Time: 13:40:25  
Control #: D3266342  
Base Reg. Type: PPSA SECURITY AGREEMENT  
Base Reg. #: 137886I Base Reg. Date: AUG 21, 2014

Registering  
Party: ATCO STRUCTURES & LOGISTICS LTD  
982 BOUNDARY ROAD  
PRINCE GEORGE BC V2N 5T2

\*\*\*\*\* P P S A S E C U R I T Y A G R E E M E N T \*\*\*\*\*

Reg. Date: FEB 12, 2015 Reg. Length: 2 YEARS  
Reg. Time: 11:02:33 Expiry Date: FEB 12, 2017  
Base Reg. #: 436951I Control #: D2911649

This registration was selected and included for your protection  
because of close proximity to your search criteria.  
Block#

S0001 Secured Party: BLACK DIAMOND DENE LIMITED  
PARTNERSHIP  
2000, 715 5 AVENUE SW  
CALGARY AB T2T 4E3

=D0001 Base Debtor: ENDURANCE ENERGY  
(Business) 4-444 5TH AVENUE SW  
CALGARY AB T2P 2T8

Continued on Page 8

Search Criteria: ENDURANCE ENERGY LTD.

Page: 8

Vehicle Collateral:					
Type	Serial #	Year	Make/Model	MH Reg.#	
V0001	MH	NHAF1911	2011 44 BED J & J UNIT SK	NR	
V0002	MH	NHAF1912	2011 44 BED J & J UNIT SK	NR	
V0003	MH	NHAF1913	2011 44 BED J & J UNIT SK	NR	
+++	MH	NHAF1614	2011 44 BED J & J UNIT SK	NR	
+++	MH	NHAF1615	2011 44 BED J & J UNIT SK	NR	
+++	MH	NHAF1616	2011 44 BED J & J UNIT SK	NR	
+++	MH	NHAF1617	2011 44 BED J & J UNIT SK	NR	
+++	MH	NHAF1618	2011 44 BED J & J UNIT SK	NR	
V0009	MH	NHAF1951	2011 44 BED J & J UNIT SK	NR	
V0010	MH	NHAF1952	2011 44 BED J & J UNIT SK	NR	
V0011	MH	NHAF1953	2011 44 BED J & J UNIT SK	NR	
V0012	MH	NHAF1954	2011 44 BED J & J UNIT SK	NR	
V0013	MH	NHAF1955	2011 44 BED J & J UNIT SK	NR	
V0014	MH	NHAF1956	2011 44 BED J & J UNIT SK	NR	
V0015	MH	NHAF1957	2011 44 BED J & J UNIT SK	NR	
V0016	MH	NHAF1958	2011 44 BED J & J UNIT SK	NR	
V0017	MH	NHAF1051	2009 44 BED J & J UNIT FL	NR	
V0018	MH	NHAF1052	2009 44 BED J & J UNIT FL	NR	
V0019	MH	NHAF1053	2009 44 BED J & J UNIT FL	NR	
V0020	MH	NHAF1054	2009 44 BED J & J UNIT FL	NR	
V0021	MH	NHAF1055	2009 44 BED J & J UNIT FL	NR	
V0022	MH	NHAF1056	2009 44 BED J & J UNIT FL	NR	
V0023	MH	NHAF1057	2009 44 BED J & J UNIT FL	NR	
V0024	MH	NHAF1058	2009 44 BED J & J UNIT FL	NR	
V0025	MH	NGI16525	2006 KITCHEN DINER UNIT SK	NR	
V0026	MH	NGI16526	2006 KITCHEN DINER UNIT SK	NR	
V0027	MH	NGI16527	2006 KITCHEN DINER UNIT SK	NR	
V0028	MH	NGI16528	2006 KITCHEN DINER UNIT SK	NR	
V0029	MH	NGI16529	2006 KITCHEN DINER UNIT SK	NR	
V0030	MH	NHAF1151	2010 REC UNIT SK	NR	
V0031	MH	NHAF1152	2010 REC UNIT SK	NR	
V0032	MH	NHAF1156	2010 REC UNIT SK	NR	
V0033	MH	NHAF1157	2010 REC UNIT SK	NR	

General Collateral:

INCORPORATED OR INSTALLED IN OR ATTACHED TO THE ABOVE DESCRIBED MOBILE HOMES. ALL CAMP FACILITIES SUPPLIED BY THE SECURED PARTY TO THE DEBTOR INCLUDING WITHOUT LIMITATION, THE KITCHEN / DINER COMPLEX, THE RECREATION COMPLEX, ALL DORMITORY UNITS, THE SEWAGE TREATMENT EQUIPMENT, THE WATER STORAGE EQUIPMENT, TELEPHONE SYSTEMS, FIRE ALARM SYSTEMS, UTILIDORS AND HEAT TRACING, UNDERGROUND MECHANICAL, TV SYSTEMS, FENCING, PARKING RAILS AND WALKWAYS.  
PROCEEDS: GOODS, INVENTORY, CHATTEL PAPER, SECURITIES, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY, INTANGIBLES, AND ACCOUNTS (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT) AND INSURANCE PROCEED.

Registering

Party: DYE & DURHAM COMPANY INC.  
734 BROUGHTON, MAIN FLOOR  
VICTORIA BC V8W 1E1

Continued on Page 9

Search Criteria: ENDURANCE ENERGY LTD.

Page: 9

----- A M E N D M E N T / O T H E R C H A N G E -----

Reg. #: 437754I

Reg. Date: FEB 12, 2015

Reg. Time: 14:40:06

Control #: D2912470

Base Reg. Type: PPSA SECURITY AGREEMENT

Base Reg. #: 436951I

Base Reg. Date: FEB 12, 2015

Details Description:

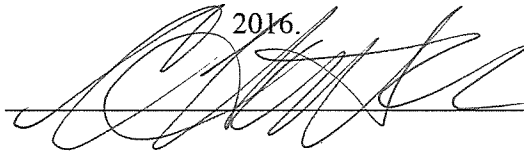
VEHICLE COLLATERAL WAS ENTERED INCORRECTLY ON LINES  
V0004-V0008

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#	
+++	DELETED				
+++	MH	NHAF1614	2011 44 BED J & J UNIT SK	NR	



This is Exhibit "F" referred to in the affidavit of Steven VanSickle sworn before me on May 30,  
2016.

A handwritten signature in black ink, appearing to read "Carolé J. Hunter", is written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

**CAROLÉ J. HUNTER**

---

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

## Mitch Grossell

---

**From:** Rachel Bengino  
**Sent:** Monday, May 30, 2016 10:26 AM  
**To:** Mitch Grossell  
**Subject:** FW: Endurance - extension of Borrowing Base Redetermination date



Rachel Bengino | [rbengino@tgf.ca](mailto:rbengino@tgf.ca) | Direct Line: 416-304-1153 | Thornton Grout Finnigan LLP | Suite 3200, TD West Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | Phone: 416-304-1516 | Fax: 416-304-1313 | [www.tgf.ca](http://www.tgf.ca)

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**From:** Kim Schoenroth [mailto:kims@enduranceenergy.ca]  
**Sent:** Monday, May 30, 2016 10:21 AM  
**To:** Rachel Bengino <[RBengino@tgf.ca](mailto:RBengino@tgf.ca)>  
**Subject:** FW: Endurance - extension of Borrowing Base Redetermination date

**From:** Kim Schoenroth  
**Sent:** May-25-16 6:56 PM  
**To:** Sarin, Supriya  
**Cc:** Steven VanSickle; Conzelman, Mark; Kay, Brad; Parikh, Manan  
**Subject:** Re: Endurance - extension of Borrowing Base Redetermination date

Supriya - Steve & I confirm agreement.  
Thx, Kim

Sent from my iPhone

On May 25, 2016, at 4:44 PM, Sarin, Supriya <[Supriya.Sarin@cibc.com](mailto:Supriya.Sarin@cibc.com)> wrote:

To Endurance Energy Ltd.

Attn: Kim Schoenroth and Steven Vansickle Re Credit Agreement dated as of June 27, 2013, as amended

As you know, a redetermination of the Borrowing Base was to occur on March 31, 2016 and was subsequently extended, most recently to May 25, 2016 ( the "Borrowing Base Date").

Please confirm your agreement to the following:

- (a) the Borrowing Base Date extended from March 31, 2016 until May 25, 2016, is further extended to May 26, 2016;
- (b) notwithstanding the timing of the foregoing extension, the Shortfall Notice associated with any Borrowing Base Shortfall arising pursuant to the foregoing, shall be deemed to have been given on March 31, 2016; and



(c) the Company will use the proceeds of the Operating Facility and Syndicated Facility from May 25 through and including May 26, 2016 (the "Period") only to pay ordinary course business expenses as set out in the budget provided to and agreed by PwC for the period ending May 26th, with a permitted 10% aggregate variance for budgeted expenditures during such Period. For greater certainty, proceeds shall not be applied to pay for (or provide for the past or future payment of) any advisory, professional or similar fees. It is an Event of Default if the Borrower breaches this provision.

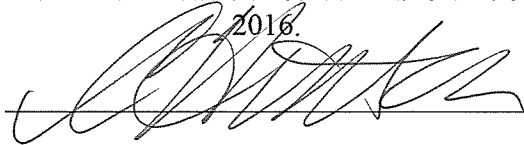
Please provide your return email which shall confirm your agreement with the foregoing.

Regards,

**Supriya Sarin** | Senior Director, CIBC, Special Loans, Head Office | **Risk Management** | 25 King Street West, 16th Floor, Toronto, ON M5L 2A1 | Telephone: 416.304.8609 Fax: 416.214.8749 | [supriya.sarin@cibc.com](mailto:supriya.sarin@cibc.com)

This message, including any attachments, is intended only for the use of the individual(s) to whom it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

This is Exhibit "G" referred to in the affidavit of Steven VanSickle sworn before me on May 30, 2018.

A handwritten signature in black ink, appearing to read "Carol J. Hunter", written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

CAROL J. HUNTER

---

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



Endurance Energy Ltd.  
Suite 400, 444 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 2T8

Attention: Vice President and Chief Financial Officer  
Facsimile: (587) 233-0761

Dated: May 26, 2016

**Re: Borrowing Base Determination/Borrowing Base Shortfall**

We refer to the Credit Agreement dated June 27, 2013, as amended by a first amending agreement dated March 31, 2014, a second amending agreement dated October 31, 2014, a third amending agreement dated April 30, 2015 and a fourth amending agreement dated December 29, 2015 (collectively, the "**Credit Agreement**") among Endurance Energy Ltd., as borrower (the "**Borrower**"), Canadian Imperial Bank of Commerce, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches, Union Bank, Canada Branch and the financial institutions that are lenders thereunder (collectively, the "**Lenders**"), and the undersigned Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (the "**Agent**"). Terms with initial capital letters used herein and not otherwise defined herein have the meaning assigned thereto in the Credit Agreement.

The Agent, as directed by the Lenders, hereby notifies the Borrower as follows:

1. The Borrowing Base as at March 31, 2016 is Cdn.\$160,000,000.
2. After giving effect to the Borrowing Base determination as provided above there exists a Borrowing Base Shortfall as at the date of this letter of approximately Cdn.\$71,000,000. The Agent hereby delivers this letter as notice of the foregoing Borrowing Base Shortfall and this letter is a "Shortfall Notice" for purposes of the Credit Agreement.
3. As a result of the existence of such Borrowing Base Shortfall, pursuant to Section 3.5(c) of the Credit Agreement the Borrower is not permitted to request any additional Advances under any Revolving Facility (except Rollovers or Conversions otherwise permitted under the Credit Agreement).

Please do not hesitate to contact the undersigned should you have any questions regarding the foregoing.

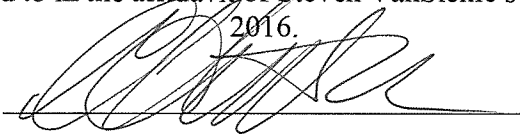
Yours truly,

**CANADIAN IMPERIAL BANK OF COMMERCE**, as Agent

Authorized Signatory

Cc Each of the Lenders

This is Exhibit "H" referred to in the affidavit of Steven VanSickle sworn before me on May 30, 2016.

A handwritten signature in black ink, appearing to read "Carol J. Hunter", is written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

**CAROL J. HUNTER**

---

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

**FIFTH AMENDING AGREEMENT  
TO THE ENDURANCE ENERGY LTD.  
CREDIT AGREEMENT  
DATED JUNE 27, 2013**

**THIS FIFTH AMENDING AGREEMENT** is made effective as of May 26, 2016,

**BETWEEN:**

**ENDURANCE ENERGY LTD.  
as Borrower**

**- and -**

**CANADIAN IMPERIAL BANK OF COMMERCE,  
BANK OF MONTREAL,  
HSBC BANK CANADA,  
THE TORONTO-DOMINION BANK,  
ALBERTA TREASURY BRANCHES,  
UNION BANK, CANADA BRANCH  
and  
THOSE OTHER FINANCIAL INSTITUTIONS WHICH  
HEREAFTER BECOME LENDERS  
UNDER THIS AGREEMENT  
as Lenders**

**- and -**

**CANADIAN IMPERIAL BANK OF COMMERCE  
as Administrative Agent**

**- with -**

**CANADIAN IMPERIAL BANK OF COMMERCE and  
BMO CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners**

**- and with -**

**BANK OF MONTREAL  
as Syndication Agent**

**PREAMBLE:**

- A. Pursuant to the Credit Agreement dated June 27, 2013, as amended by a first amending agreement dated March 31, 2014, a second amending agreement dated October 31, 2014, a third amending agreement dated April 30, 2015 and a fourth amending agreement dated December 29, 2015 (collectively, the “**Credit Agreement**”), among Endurance Energy Ltd., as Borrower (the “**Borrower**”), Canadian Imperial Bank of Commerce, Bank of Montreal, HSBC Bank Canada, The Toronto-Dominion Bank, Alberta Treasury Branches and Union Bank, Canada Branch as lenders thereunder (collectively, the “**Lenders**”), and Canadian Imperial Bank of Commerce, as

administrative agent for the Lenders (the “Agent”), such lenders agreed to provide to the Borrower the Credit Facilities.

- B. At the direction of the Lenders, the Agent has notified the Borrower on the date hereof that effective as of March 31, 2016 the Borrowing Base is Cdn.\$160,000,000 and that there exists a Borrowing Base Shortfall of approximately Cdn.\$71,000,000 and at the direction of the Majority Lenders the Agent has delivered the Borrower a Shortfall Notice pursuant to Section 3.5(b) of the Credit Agreement on the date hereof.
- C. As a result of the existence of such Borrowing Base Shortfall and the delivery of the related Shortfall Notice, pursuant to Section 3.5(c) of the Credit Agreement the Borrower is not permitted to request any additional Advances under any Revolving Facility (except Rollovers or Conversions otherwise permitted under the Credit Agreement).
- D. Notwithstanding the foregoing, the Lenders have agreed to permit the Borrower to continue to request additional Advances under the Operating Facility by way of overdraft borrowings from the date hereof to but excluding May 31, 2016 provided that (i) no Default or Event of Default has occurred and is continuing; and (ii) the aggregate principal amount of all Advances under the Operating Facility together with the face amount of all existing Letters of Credit under the Operating Facility shall not exceed Cdn.\$5,000,000 in aggregate.
- E. The Parties wish to amend the Credit Agreement on the terms and conditions herein provided.

**AGREEMENT:**

**NOW THEREFORE** in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the Parties, the Parties agree as follows:

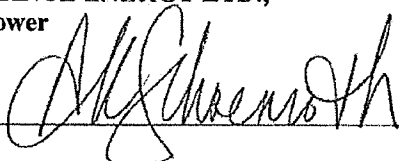
- 1. **Overdraft Advances.** Notwithstanding the terms and conditions in the Credit Agreement, the parties hereto agree that the Borrower shall be permitted to request additional Advances under the Operating Facility by way of overdraft borrowings from the date hereof to but excluding May 31, 2016 (or such later date as agreed to by the Majority Lenders) provided that (i) no Default or Event of Default has occurred and is continuing; and (ii) the aggregate principal amount of all Advances under the Operating Facility together with the face amount of all existing Letters of Credit under the Operating Facility shall not exceed Cdn.\$5,000,000 in aggregate.
- 2. **Representations and Warranties.** The Borrower hereby represents and warrants to the Agent and the Lenders as follows:
  - (a) the execution and delivery of this Fifth Amending Agreement and the performance by it of its obligations under this Fifth Amending Agreement: (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary governmental approvals (if any required), and (iv) do not and will not contravene or conflict with any provision of applicable Law or of its constating documents or by-laws; and
  - (b) this Fifth Amending Agreement is a legal, valid and binding obligation of it, enforceable in accordance with its terms except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, winding-up, moratorium or similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity.

3. **Continuing Effect.** Each of the Parties acknowledges and agrees that the Credit Agreement, as amended hereby, and all other Loan Documents (including the Security) and Hedging Agreements entered into with a Swap Lender will be and continue in full force and effect and are hereby confirmed and the rights and obligations of all Parties thereunder will not be effected or prejudiced in any manner except as specifically provided herein.
4. **Further Assurances.** The Borrower will from time to time forthwith at the Agent's request and at the Borrower's own cost and expense make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this Fifth Amending Agreement.
5. **Expenses.** The Borrower will be liable for all expenses of the Agent or the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full indemnity basis) and other documented out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of the Credit Facilities and of this Fifth Amending Agreement (whether or not consummated) by the Agent or the Lenders.
6. **Counterparts.** This Fifth Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitutes one and the same instrument. Any Party may execute this Fifth Amending Agreement by signing any counterpart.

*[The remainder of this page has intentionally been left blank.]*

**IN WITNESS WHEREOF**, the Parties have caused this Fifth Amending Agreement to be duly executed by their respective authorized officers as of the Fifth Amendment Date.

**ENDURANCE ENERGY LTD.,  
as Borrower**



**Kim Schoenroth  
Vice President & CFO**

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:



**CANADIAN IMPERIAL BANK OF COMMERCE,  
as Agent and Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**BANK OF MONTREAL,  
as Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**HSBC BANK CANADA, as Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**THE TORONTO-DOMINION BANK,  
as Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**ALBERTA TREASURY BRANCHES,  
as Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

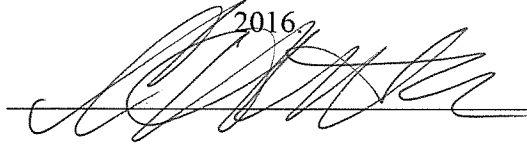
**UNION BANK, CANADA BRANCH,  
as Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

---

This is Exhibit "T" referred to in the affidavit of Steven VanSickle sworn before me on May 30,  
2016.

A handwritten signature in black ink, appearing to read "Carol J. Hunter", is written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

CAROL J. HUNTER

---

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

# Sale Process

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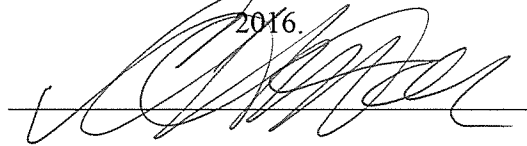
1. The purpose of the Sale Process is to generate executable transaction alternatives that will raise capital to be applied to claims as determined in the claims process in cash.
2. The process will be conducted to permit a broad range of transaction alternatives to be considered by a broad range of potential investors.
3. Parties who wish to have their proposals considered shall be expected to participate in this process as conducted by Endurance and its advisors.
4. The process will be conducted such that Endurance and its advisors will:
  - prepare marketing materials;
  - update a data room;
  - solicit interest from parties to enter into non-disclosure agreements and begin analyzing the transaction alternatives;
  - have such parties submit initial non-binding expressions of interest;
  - as appropriate, short-list parties to enter into a second process phase to conduct detailed due diligence;
  - have short-listed parties mark-up transaction documents;
  - have such parties submit binding offers together with a proposed form of transaction documents on a date specified by Endurance (the "**Binding Bid Deadline**"); and
  - following the Binding Bid Deadline, Endurance and its advisors may seek to negotiate final terms with one or more parties subject to a right of first refusal in favour of the Interim Lender (as hereinafter defined) and further order of the Court.
5. The Binding Bid Deadline shall be no later than the date that is 7 weeks from the date of the Court Order to approve this process. If the Order were issued on May 30, 2016, then such date would be July 18, 2016. This date may not be changed without prior consent of both the Monitor and the DIP Loan Lender or, alternatively, by further order of the Court.
6. The Lenders pursuant to the Credit Facilities or the Interim Lender (as such terms are defined in the VanSickle Affidavit and the facility provided by the Interim Lender shall be referred to as the "**Interim Facility**") shall be permitted to "credit bid" (each a potential "**Credit Bidder**") by offering to acquire all of the assets subject to their lien and any other assets that would be subject to any deficiency claim in full satisfaction of the Credit Facilities amount or Interim Facility amount, as applicable (a "**Credit Bid**"). The value of the Credit Bid shall be deemed to be the amount of the claim under the Credit Facilities or Interim Facility amount (or a lesser amount if so elected by Credit Bidder plus the cash component of the Credit Bid. To be valid, a Credit Bid must include sufficient cash to satisfy any Charges that rank ahead of the claim of the Credit Bid.
7. Subject to the right of first refusal in favour of the Interim Lender, while any potential Credit Bidder is a potential competing bidder in the Sale Process or is a potential seller of their claim



May 30, 2016

against the Company , such potential Credit Bidder will not be provided with any non-public information about the Sale Process participants and proposals they may or may not make.

This is Exhibit "J" referred to in the affidavit of Steven VanSickle sworn before me on May 30,  
2016.

A handwritten signature in black ink, appearing to read "Carol I. Hunter", is written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

**CAROL I. HUNTER**

---

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

Clerk's stamp

COURT FILE NUMBER:

COURT OF QUEEN'S BENCH OF  
ALBERTA

JUDICIAL CENTRE OF CALGARY

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

**AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT OF  
ENDURANCE ENERGY LTD.**

DOCUMENT:

**CONSENT TO APPOINTMENT**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

**Thornton Grout Finnigan LLP**  
100 Wellington Street W, Suite 3200  
Toronto, Ontario M5K 1K7

Telephone: (416) 304-1616  
Facsimile: (416) 304-1313

**Attention: Robert I. Thornton / Leanne Williams  
/ Rachel Bengino**  
File Number: 1751-001

**FTI CONSULTING CANADA INC. HEREBY CONSENTS** to being appointed  
Monitor of Endurance Energy Ltd. pursuant to the *Companies' Creditors Arrangement Act* in the  
within action.

**DATED** at the City of Calgary, Alberta, this 29 day of May, 2016.

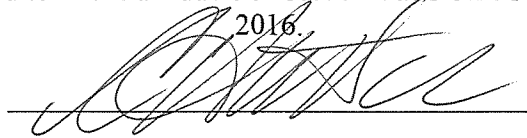
**FTI CONSULTING CANADA INC.**

Per: 

Name: Deryck Helkaa

Title: Senior Managing Director

This is Exhibit "K" referred to in the affidavit of Steven VanSickle sworn before me on May 30, 2016.

A handwritten signature in black ink, appearing to read "Carol J. Hunter", is written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

CAROL J. HUNTER

---

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

**DIP FACILITY LOAN AGREEMENT  
DATED AS OF MAY 30, 2016**

**WHEREAS** the Borrower (as defined below) has requested that the DIP Lender (as defined below) provide financing to fund certain of the Borrower's cash requirements during the pendency of the Borrower's proceeding (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") to be commenced before the Alberta Court of Queen's Bench (the "**CCAA Court**") in accordance with the terms and conditions set out herein;

**NOW THEREFORE** the parties, in consideration of the foregoing and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby irrevocably acknowledged, agree as follows:

**Borrower:** Endurance Energy Ltd.

**DIP Lender:** WP Private Equity XI Inc. ("**DIP Lender**") or a limited liability company or other investment vehicle, owned by one or more affiliates of the DIP Lender to be designated prior to the Closing Date.

**DIP Facility:** The DIP Lender agrees to advance to the Borrower as a super-priority (debtor-in-possession) non-revolving credit facility (the "**DIP Facility**") up to US\$15 million.

The DIP Facility may be drawn in tranches of not less than US\$2 million each (except for the final DIP Advance which may be in any amount) by the Borrower providing not less than three (3) business days' written notice of each drawdown to the DIP Lender. All advances hereunder (each a "**DIP Advance**") are subject to the conditions of drawdown set out below.

Each DIP Advance under the DIP Facility shall be deposited into a bank account to be designated by the Borrower at a financial institution approved by the DIP Lender (the "**Borrower's Account**") and utilized by the Borrower in accordance with the terms of this Agreement.

**Use of Proceeds:** The proceeds of the DIP Facility shall be used solely by the Borrower in accordance with the 13-week cash-flow projections to be filed by the Borrower in the context of the CCAA Proceedings (the "**Cash-Flow Projections**") and may be used to pay interest, fees and expenses payable under the DIP Facility. No proceeds may be used for any other purpose except with the prior written approval of the DIP Lender. In particular, the DIP Facility may not be used in connection with any investigation (including discovery proceedings), initiation or prosecution of any claims, causes of action, adversarial proceedings or other litigation against the DIP Lender or its affiliates.

- Closing Date:** The closing date is expected to be May 31, 2016 or such later date as all of the conditions precedents to the first DIP Advance hereunder have been satisfied (the "Closing Date").
- Evidence of Indebtedness:** The DIP Lender shall open and maintain accounts and records evidencing advances and repayments under the DIP Facility and all other amounts owing from time to time hereunder. The DIP Lender's accounts and records constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Borrower to the DIP Lender pursuant to the DIP Facility.
- Currency:** Unless otherwise stated, all monetary denominations shall be in lawful currency of the United States.
- Interest Rate:** All amounts owing hereunder on account of the principal, overdue interest, fees and expenses shall bear interest at the rate of 15% per annum payable in cash monthly in arrears on the last day of each calendar month. To the extent permitted by law, upon the occurrence of an Event of Default (as defined below), interest shall accrue and be calculated at a rate of 19% per annum.
- Standby Fee:** The Borrower shall pay the DIP Lender a standby fee of 3% per annum on the undrawn portions of the DIP Facility. Such fee shall be calculated daily and payable monthly in arrears on the last day of each calendar month.
- Other Fees:**
- a) On the Closing Date, the Borrower shall pay to the DIP Lender a non-refundable commitment fee of US\$375,000 (being 2.5% of the DIP Facility) from the first DIP Advance under the DIP Facility.
  - b) If any portion of the DIP Facility is repaid or prepaid prior to the Maturity Date, the Borrower will pay to the DIP Lender a prepayment fee equal to 3% of the principal amount repaid or prepaid.
  - c) At such time as the entire DIP Facility has been repaid or cancelled, the Borrower will pay to the DIP Lender a fee of US\$500,000 as an exit fee.
- Other Costs and Expenses:** The Borrower shall pay, on or before the Closing Date and monthly thereafter, all costs and expenses of the DIP Lender for all out-of-pocket due diligence and travel costs and all reasonable fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant in connection with the administration of the DIP Facility after the Closing Date, including any costs and expenses incurred by the DIP Lender in connection with the enforcement of any of the rights and remedies available hereunder or any related security. The DIP Lender will provide reasonably detailed invoices for all costs and expenses claimed hereunder in advance of requesting payment.

**Repayment and Maturity Date:**

All amounts owing to the DIP Lender under the DIP Facility shall be due and payable on the earliest of the occurrence of any of the following:

- a) three months following the Closing Date;
- b) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a "Plan") which has been approved by the requisite majorities of the Borrower's creditors and by order entered by the CCAA Court (the "Sanction Order") and by the DIP Lender;
- c) conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act (Canada)* (the "BIA");
- d) the completion of the sale of more than 50% of the aggregate assets of the Borrower (unless the DIP Lender consents to such sale and agrees that the DIP Facility shall remain outstanding); and
- e) an Event of Default in respect of which the DIP Lender has elected in its sole discretion to accelerate all amounts owing and demand repayment;

(the earliest such date, the "Maturity Date").

The DIP Lender's commitment to make further advances under the DIP Facility shall expire on the Maturity Date and all amounts outstanding under the DIP Facility shall be permanently and indefeasibly repaid by the Borrower no later than the Maturity Date without the DIP Lender being required to make demand upon the Borrower or other parties or to give notice that the DIP Facility has expired and that the obligations thereunder are due and payable. The DIP Lender shall be treated as unaffected in any Plan, and such Plan or the Sanction Order shall not discharge or otherwise affect in any way any of the obligations of the Borrower towards the DIP Lender under the DIP Facility other than after the permanent and indefeasible payment in cash to the DIP Lender of all obligations under the DIP Facility on or before the date that the Plan is implemented, including without limitation, the exit fee.

**Mandatory Prepayments:**

Unless the DIP Lender consents otherwise, the Borrower is required to prepay amounts outstanding under the Facility:

- a) upon receipt of net cash proceeds from the sale of any of the Collateral (as defined below) except for sales of oil and gas in the ordinary course of business by the Borrower;
- b) upon receipt of any extraordinary payments such as tax refunds by the Borrower;

- c) upon receipt of net cash proceeds from the sale of any equity interests in the Borrower or the receipt of capital contributions by the Borrower.

Any prepayment required hereunder shall be a permanent reduction of the DIP Facility and may not be reborrowed without the written consent of the DIP Lender in its sole discretion. Any prepayments prior to the Maturity Date will be subject to the prepayment fee of 3% referred to above.

**Optional  
Prepayment:**

The DIP Facility may be repaid at any time, in whole or in part, prior to the Maturity Date on not less than two business days' notice to the DIP Lender provided that any such payment shall be subject to a *pro rata* share of the exit fee referred to above, the prepayment fee referred to above and the satisfaction of all accrued interest thereon.

**DIP Lender  
Account:**

All payments to the DIP Lender shall be made by wire transfer to the account specified in writing to the Borrower from time to time.

**Agreed Budgets:**

Attached hereto are the Cash-Flow Projections which are in form and substance satisfactory to the DIP Lender. The DIP Lender may require changes to the format of the Cash-Flow Projections and the details provided therein including, without limitation, information on a line item basis as to (i) projected cash receipts and (ii) projected disbursements (including ordinary course operating expenses and restructuring expenses, including professional fees), capital and maintenance expenditures.

On the Thursday of each week, the Borrower shall provide to the DIP Lender a variance report (the "**Weekly Budget Variance Report**") showing on a line-by-line basis actual receipts and disbursements and the total available liquidity for the last day of the prior week for the cumulative period since the commencement of the CCAA Proceedings and for a rolling cumulative four week period once the CCAA Proceedings have been pending for four weeks and noting therein all variances on a line-by-line basis from the amounts in the Cash-Flow Forecast and shall include explanations for all material variances and shall be certified by the Chief Financial Officer of the Borrower. The first Weekly Budget Variance Report shall be delivered on Thursday, June 9, 2016.

The Borrower may from time to time present to the DIP Lender a revised and detailed 13 week cash flow forecast substantially in the form of the current Cash-Flow Forecast, which revised forecast shall be reviewed by the Monitor. The DIP Lender may, in its discretion, acting reasonably, agree to substitute the revised forecast for the then current Cash-Flow Forecast in which case the revised forecast shall be thereafter be deemed to be the effective Cash-Flow Forecast for the purposes hereof.

**Conditions  
Precedent to DIP**

The DIP Lender's agreement to make DIP Advances to the Borrower is subject to the following conditions precedent (the "**Funding Conditions**")



**Advances:**

as determined by the DIP Lender in its sole discretion, acting reasonably:

- a) The Borrower's application materials in connection with its application for the initial order in respect of the CCAA Proceedings (the "**Initial Order**") shall be satisfactory to the DIP Lender and such application shall be brought before the CCAA Court no later than May 31, 2016 on notice to such parties as are acceptable to the DIP Lender, acting reasonably.
- b) The CCAA Court shall have issued the Initial Order which must be satisfactory to the DIP Lender, in its discretion, and the Initial Order shall not have been amended, restated or modified in a manner that adversely affects in any way the rights or interests of the DIP Lender without the consent of the DIP Lender. For greater certainty, such Order shall approve this Agreement and grant a charge in favour of the DIP Lender (the "**DIP Lender's Charge**") which ranks ahead of and shall have priority over all liens, charges, mortgages, encumbrances, security interests of every kind and nature granted by the Borrower against any of the undertaking, property or assets of the Borrower (collectively, the "**Liens**"), subject in priority only to an administrative charge on the collateral of the Borrower in an aggregate amount not to exceed \$2.5 million, and the Initial Order may not be rescinded, amended or revised without at least five business days' notice to the DIP Lender and its counsel and shall not stay the rights of the DIP Lender hereunder or under the DIP Facility Documents (as defined below). The DIP Lender's Charge shall apply to all of the property and assets of the Borrower (the "**Collateral**") and shall secure all obligations owing by the Borrower to the DIP Lender hereunder, including without limitation, all principal, interest, fees and amounts owing in respect of expenses (collectively the "**DIP Obligations**").
- c) The CCAA Court shall have issued an order approving a sale and investment solicitation process (the "**SISP**") which SISP shall be satisfactory to the DIP Lender in its sole discretion;
- d) All fees and expenses payable to the DIP Lender have been paid or will be paid from the proceeds of the requested DIP Advance within such time as is acceptable to the DIP Lender, in its discretion;
- e) There shall be no liens ranking in priority to the DIP Lender's charge other than an administrative charge in an amount not to exceed Cdn. \$2.5 million, and any subordinate court-ordered charges or liens shall be acceptable to the DIP Lender. The DIP Lender acknowledges and agrees that a subordinate court-ordered charge securing the obligations to indemnify the directors and officers of the Borrower for certain post-filing liabilities in the aggregate amount of Cdn\$1 million

are acceptable to the DIP Lender;

- f) The Borrower shall be in compliance with any timetables established from time to time by it and approved by the CCAA Court and the DIP Lender setting out a sales or investment solicitation or similar process for the Borrower;
- g) The DIP Facility Documents (as defined below) shall be satisfactory to the DIP Lender in its discretion, acting reasonably, and shall have been executed by the parties thereto and the DIP Lender;
- h) The DIP Lender shall be satisfied that the Borrower has complied with and is continuing to comply with in all material respects with all applicable laws, regulations, policies in relation to their property and business, other than as may be permitted under any order of the CCAA Court (each a "Court Order") which is satisfactory to the DIP Lender in its discretion, acting reasonably;
- i) The DIP Lender shall have received from the Borrower a written request for each DIP Advance not less than three business days prior to the date of the DIP Advance which shall be executed by an officer of the Borrower and which shall certify the amount requested and that the Borrower is in compliance with the DIP Facility Documents and the Court Orders;
- j) All amounts due and owing to the DIP Lender at such time shall have been paid or shall be paid from the requested DIP Advance;
- k) No Event of Default shall have occurred or will occur as a result of the requested DIP Advance;
- l) The DIP Lender shall have received satisfactory opinions of counsel to the Borrower relating to such matters as the DIP Lender may reasonably require;
- m) The DIP Lender shall have been satisfied that all motions, orders and other pleadings and related documents filed or submitted to the CCAA Court by the Borrower shall be consistent with the terms hereof and all orders entered by the CCAA Court shall not be inconsistent with or have an adverse impact on the terms of the DIP Facility;
- n) There are no Liens ranking in priority to the DIP Lender's Charge other than is permitted hereunder;
- o) No material portion of the Collateral shall have been lost or stolen; and

- p) The Borrower shall be in compliance with all covenants and obligations contained in this Agreement.

As soon as practical the DIP Lender's Charge shall be registered against title to all of the assets of the Borrower.

**DIP Facility  
Security and  
Documentation:**

All of the obligations of the Borrower under or in connection with the DIP Facility, this Agreement and any other documentation in respect of the DIP Facility that is requested by the DIP Lender (which shall be in form and substance satisfactory to the DIP Lender in its sole discretion, acting reasonably) (collectively, the "**DIP Facility Documents**") shall be secured by the DIP Lender's Charge granted by the CCAA Court.

The DIP Obligations shall be secured by the DIP Lender's Charge granted by the CCAA Court.

The DIP Lender's Charge shall be a perfected first priority and not subject to subordination other than in respect of the administrative charge not exceeding Cdn. \$2.5 million granted by the CCAA Court.

**Deposit  
Accounts:**

The Borrower shall maintain all cash in accounts maintained with depository banks designated by the DIP Lender ("**Approved Depository Banks**").

**Monitor:**

The Monitor appointed pursuant to the Initial Order shall be FTI Consulting Canada Inc. (the "**Monitor**"). The DIP Lender shall be authorized by the Initial Order to have direct discussions with the Monitor and to receive information from the Monitor as requested by the DIP Lender from time to time.

**Release and  
Indemnity:**

The Borrower, on its own behalf and on behalf of its agents, representatives, officers, directors, advisors, employees, subsidiaries, affiliates, successors, heirs and assigns (collectively, the "**Releasers**"), hereby absolutely and irrevocably release, remise, acquit and forever discharge the DIP Lender, its employees, agents, representatives, consultants, counsel, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, shareholders, and related corporate divisions and the successors and assigns of each of the foregoing (all of the foregoing hereinafter called the "**Released Parties**"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising ("**Claims**"), for or because of any matter or things done or omitted by any of the Released Parties prior to and including the Closing Date, and none of the aforementioned Claims has been transferred, assigned by the Releasers to any persons.

The Borrower also agrees to indemnify and hold harmless the DIP Lender and its affiliates and their respective officers, directors, partners, employees, representatives, advisors, solicitors and agents (collectively, the “**Indemnified Persons**”) from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, the proposed or actual use of the proceeds of the DIP Facility, this Agreement, the CCAA Proceedings or the DIP Facility Documents. Notwithstanding the foregoing, the Borrower shall have no obligation to indemnify any Indemnified Person against such loss, liability, cost or expense to the extent that such Indemnified Person is found by final judgment of a court of competent jurisdiction to arise from the gross negligence or willful misconduct of such Indemnified Person or to the extent of any disputes solely among Indemnified Persons other than claims arising out of any act or omission on the part of the Borrower. The DIP Lender shall not be responsible or liable to the Borrower or any other person for any consequential or punitive damages.

**Representations  
and Warranties:**

At the Closing Date and each time a DIP Advance is made hereunder, the Borrower represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this Agreement and the other DIP Credit Facility Documents, that:

- a) The transactions contemplated by this Agreement and the other DIP Facility Documents:
  - (i) upon the granting of the Initial Order are within the powers of the Borrower;
  - (ii) have been duly authorized, executed and delivered by or on behalf of the Borrower;
  - (iii) upon the granting of the Initial Order constitute legal, valid and binding obligations of the Borrower;
  - (iv) upon the granting of the Initial Order do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Lender’s Charge;
- b) The business operations of the Borrower have been and will continue to be conducted in material compliance with all applicable laws of each jurisdiction in which each such business has been or is being carried on;

- c) The Borrower has obtained all material licences and permits required for the operation of its business, which licences and permits remain, and after the DIP Financing, will remain in full force and effect. No proceedings have been commenced to revoke or amend any of such licences or permits;
- d) The Borrower has paid where due its obligations for Crown royalty, payroll, employee source deductions, sales tax and other value added taxes and is not in arrears in respect of these obligations;
- e) The Borrower does not have any defined benefit pension plans or similar plans;
- f) All factual information provided by or on behalf of the Borrower to the DIP Lender for the purposes of or in connection with this Agreement or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided. In particular, and without limiting the generality of the foregoing, all information regarding the Borrower's corporate structure is true and complete, all public filings and financial reports are complete and true in all material respects.

**Affirmative  
Covenants:**

In addition to all other covenants and obligations contained herein, the Borrower agrees and covenants to perform and do each of the following until the DIP Facility is permanently and indefeasibly repaid and cancelled:

- a) Comply with the provisions of the Court Orders made in the CCAA Proceedings including, without limitation, the Initial Order;
- b) Use all DIP Advances made under the DIP Facility and other cash on hand only for the purposes of the Borrower's short-term liquidity needs and in a manner that is consistent with the Cash-Flow Forecast in all material respects;
- c) Comply with any timetable or process established from time to time by the Borrower for the sale of all or part of the assets of the Borrower or solicitation of investment in the Borrower as part of or in anticipation of a Plan and obtain the approval for such timetable or process from the DIP Lender;
- d) Allow the DIP Lender, its designated representatives and consultants full access to the books and records and personnel of the Borrower on

one business days' notice and during normal business hours and cause management thereof to fully cooperate with any advisors to the DIP Lender;

- e) Provide the DIP Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intend to file within the CCAA Proceedings at least three (3) days prior to any such filing or, where it is not practically possible to do so, as soon as reasonably possible;
- f) The Initial Order and any other Court Orders which are being sought by the Borrower shall be submitted to the CCAA Court in a form confirmed in advance to be satisfactory to the DIP Lender, acting reasonably, subject to any amendments that are required by the CCAA Court or the Borrower that are acceptable to the DIP Lender;
- g) Any and all materials of the Borrower in respect of a proposed Plan or any other transaction involving the refinancing of the Borrower, the sale of all or substantially all of the assets of the Borrower or any other restructuring of the Borrower's businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of the Borrower (a "**Restructuring Option**") shall only be submitted to the CCAA Court in a form confirmed in advance to be satisfactory to the DIP Lender unless such Restructuring Option provides for the indefeasible payment in full in cash of all amounts owing to the DIP Lender under the DIP Facility at or prior to the implementation date of such Restructuring Option;
- h) The Borrower shall not provide or seek or support a motion by another party to provide to a third party a charge upon the Borrower's assets (including, without limitation, a critical supplier's charge) without the prior consent of the DIP Lender;
- i) The Borrower shall promptly advise the DIP Lender of, and provide copies of, any proposal received from a third party in respect of a Restructuring Option or any other transaction to be carried out pursuant to or as part of a Plan and, thereafter, shall advise the DIP Lender of the status of any such proposal as well as any material amendments to the terms thereof;
- j) The Borrower shall not carry out any changes to the composition (including the addition, removal or replacement of directors or officers) of the board of directors or the officers (including any chief restructuring officer) of the Borrower without first consulting with the DIP Lender;
- k) Unless such payments are first approved by the DIP Lender, the

Borrower shall not increase any termination or severance entitlements or pay any termination or severance payments or modify any compensation or benefit plans whatsoever.

- l) Provide to the DIP Lender a weekly status update regarding the status of the CCAA Proceedings and the restructuring process including, without limitation, reports on the progress of any Plan or Restructuring Option, and any information which may otherwise be confidential subject to same being maintained as confidential by the DIP Lender. Notwithstanding the foregoing disclosure obligation or any other term of this Agreement, the Borrower shall not be obligated to disclose to the DIP Lender any information regarding the details of bids received by the Borrower or the Monitor unless such information is otherwise disclosed to other stakeholders in the CCAA Proceedings or unless the DIP Lender waives its right to credit bid;
- m) Use all reasonable efforts to keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower, the development of a Plan and/or a Restructuring Option;
- n) Deliver to DIP Lender any updated Weekly Budget Variance Reports and such other reporting and other information from time to time as is reasonably requested by the DIP Lender in form and substance satisfactory to the DIP Lender;
- o) The Borrower shall deliver to the DIP Lender: (i) within one (1) business day of delivery thereof to the Monitor, copies of all financial reporting provided to the Monitor; and (ii) within one (1) business day of receipt from the Monitor any reports or other commentary or analysis received by the Borrower from the Monitor regarding the financial position of the Borrower or otherwise;
- p) The Borrower shall provide to the DIP Lender copies of all proposed general communications to be given to customers, suppliers, employees and other stakeholders simultaneously with the distribution thereof to such persons;
- q) The Borrower shall also provide the DIP Lender, upon request, all title information and opinions and environmental reports affecting or relating to the property of the Borrower;
- r) Preserve, renew, maintain and keep in full force its corporate existence and its material licenses, permits, approvals, etc. required in respect of its business, properties, assets or any activities or operations carried out therein and maintain its properties and asset in good working order;

- s) Pay all applicable property taxes, permitting and licences fees and other amounts necessary to preserve the Collateral to avoid any lien thereon and pay all amounts due under any hydro or power contracts from and after the date of filing of the CCAA Proceedings;
- t) Maintain all insurance with respect to the Collateral in existence as of the date hereof;
- u) Forthwith notify the DIP Lender of the occurrence of any Event of Default, or of any event or circumstance that, with the passage of time, may constitute an Event of Default;
- v) Execute and deliver the DIP Facility Documents, including such financing statements, opinions or other documents and information, as may be reasonably requested by the DIP Lender in connection with the DIP Facility, which documentation shall be in form and substance satisfactory to the DIP Lender;
- w) Subject to the "Other Costs and Expenses" provisions of this Agreement, pay upon request by the DIP Lender all of its documented fees and expenses, provided, however, that if any such fees and expenses incurred after the date of this Agreement are not paid by the Borrower, the DIP Lender may in its discretion pay all such fees and expenses whereupon such amounts shall be added to and form part of the DIP Obligations and shall reduce the availability under the DIP Facility; and
- x) Pay when due all principal, interest, fees and other amounts payable by the Borrower under this Agreement and under any other DIP Facility Documents on the dates, at the places and in the amounts and manner set forth herein.

**Negative  
Covenants:**

The Borrower covenants and agrees not to do the following, other than with the prior written consent of the DIP Lender, from and after the date hereof:

- a) Except as contemplated by this Agreement or any Court Order, make any payment, without consent of the DIP Lender, of any debt or obligation existing as at the date of filing of the CCAA Proceedings (the "Pre-Filing Debts"), it being understood that the DIP Lender shall consent to the Borrower paying Pre-Filing Debts owed to certain critical suppliers in order to maintain its operations, provided that such payments shall not exceed \$589,535.92;
- b) Make any payments outside the ordinary course of business consistent with past practices, subject always to the obligation to



comply with the Cash-Flow Forecast in all material respects to the extent reasonably practicable in the circumstances;

- c) Sell, assign, lease, convey or otherwise dispose of any of the Collateral except for sales of oil and gas in ordinary course of business consistent with past practices or sell any securities of the Borrower;
- d) Except for as contemplated herein or as otherwise consented to by the DIP Lender, permit any new Liens to exist on any of the properties or assets or the Borrower other than the Liens in favour of the DIP Lender as contemplated by this Agreement;
- e) Create or permit to exist any other Lien which is senior to or *pari passu* with the DIP Lender's Charge except as contemplated herein;
- f) Make any investments in or loans to or guarantee the debts or obligations of any other person or entity;
- g) Enter any restrictive covenants or agreements which might affect the value or liquidity of any Collateral;
- h) Change its name, fiscal year end or accounting policies or amalgamate, consolidate with, merge into, dissolve or enter into any similar transaction with any other entity without the consent of the DIP Lender; or
- i) Terminate any key employees of the Borrower, including those involved in maintaining the Collateral, without the consent of the DIP Lender acting reasonably.

**Events of Default:**

The occurrence of any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement if such event of default is not cured within two business days of the Borrower receiving notice of the event of default (to the extent such event of default is capable of being cured):

- a) Any Court Order is dismissed, stayed, reversed, vacated, amended or restated and such dismissal, stay, reversal, vacating, amendment or restatement adversely affects or would reasonably be expected to adversely affect the interests of the DIP Lender in a material manner, unless the DIP Lender has consented thereto;
- b) Any Court Order is issued which adversely affects or would reasonably be expected to adversely affect the interests of the DIP Lender in a material manner, unless the DIP Lender has consented thereto including, without limitation:

- (i) the issuance of an order dismissing the CCAA Proceedings or lifting the stay imposed within the CCAA Proceedings to permit the enforcement of any security or claim against the Borrower or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against the Borrower;
  - (ii) the issuance of an order granting any other claim or a Lien of equal or prior status to that of the DIP Lender's Charge except as permitted hereunder;
  - (iii) the issuance of an order staying, reversing, vacating or otherwise modifying the DIP Facility Documents or the provisions of the Court Order affecting the DIP Lender or the Collateral, or the issuance of an order adversely impacting the rights and interests of the DIP Lender, in each case without the consent of the DIP Lender;
  - (iv) the failure of the Borrower to diligently oppose any party that brings an application or motion for the relief set out in (a) through (c) above and/or the Borrower fails to secure the dismissal of such motion or application within a reasonable delay, subject to court availability, from the date that such application or motion is brought;
- c) The sales or investor solicitation process proposed to the CCAA Court by the Borrower is not acceptable to the DIP Lender in its discretion, acting reasonably;
  - d) Failure of the Borrower to pay any amounts when due and owing hereunder;
  - e) The Borrower ceases to carry on business or operate or maintain its properties in the ordinary course as it is carried on as of the date hereof, except where such cessation is consented to by the DIP Lender;
  - f) Any representation or warranty by the Borrower herein or in any DIP Facility Documents shall be incorrect or misleading in any material respect when made; any Court Order is rendered, a liability arises or an event occurs, including any change in the business, assets, or conditions, financial or otherwise that will in the DIP Lender's judgment, acting reasonably, materially further impair the Borrower's financial condition, operations or ability to comply with its obligations under this Agreement, any DIP Facility Documents or any Court Order or carry out a Plan or a Restructuring Option reasonably acceptable to the DIP Lender;

- g) Any material violation or breach of any Court Order by the Borrower;
- h) Failure of the Borrower to perform or comply with any term or covenant of this Agreement or any other DIP Facility Documents;
- i) The occurrence, at any time, of a negative aggregate variance of more than 10% with the Cash-Flow Forecast (unless such variance is reasonably expected to be corrected in an ensuing period), such variance to be calculated weekly and on an aggregate basis, and failure to provide a projected weekly budget approved by the DIP Lender, acting reasonably, which shows sufficient liquidity, including availability under the DIP Facility, to meet all of the Borrower's projected cash requirements until the Maturity Date;
- j) If any of Steven Vansickle or David Summers or cease to be senior officers of the Borrower and are not replaced with persons acceptable to the DIP Lender;
- k) Any proceeding, motion or application is commenced or filed by the Borrower, or if commenced by another party, supported or otherwise consented to by the Borrower, seeking the invalidation, subordination or other challenging of the terms of the DIP Facility, the DIP Lender's Charge, this Agreement, or any of the other DIP Facility Documents or approval of any Plan or Restructuring Option which does not have the prior consent of the DIP Lender;
- l) The Borrower becomes subject to a material environmental liability arising after the commencement of the CCAA Proceedings; or
- m) Any Plan is sanctioned or any Restructuring Option is consummated by the Borrower that is not consistent with or contravenes any provision of this Agreement or the other DIP Facility Documents in a manner that is adverse to the interests of the DIP Lender or would reasonably be expected to adversely affect the interests of the DIP Lender unless the DIP Lender has consented thereto or unless it provides for repayment in full of all DIP Obligations to the DIP Lenders under this Agreement.

**Remedies:**

Upon the occurrence of an Event of Default, the DIP Lender may, in its sole discretion, elect to terminate the DIP Lender's commitment to make further DIP Advances to the Borrower and accelerate all amounts outstanding under the DIP Facility and declare such amounts to be immediately due and payable without any periods of grace. Upon the occurrence of an Event of Default, the DIP Lender may apply to the CCAA Court:

- a) for the appointment of a receiver, an interim receiver or a receiver

and manager over the Collateral, or for the appointment of a trustee in bankruptcy of the Borrower;

- b) for an order, on terms satisfactory to the Monitor and the DIP Lender, providing the Monitor with the power, in the name of and on behalf of the Borrower, to take all necessary steps in the CCAA Proceedings to realize on the Collateral;
- c) for leave to exercise the powers and rights of a secured party under applicable legislation; and
- d) for leave to exercise all such other rights and remedies available to the DIP Lender under the DIP Facility Documents, the Court Orders and applicable law.

**DIP Lender Approvals:**

All consents of the DIP Lender hereunder shall be in writing. Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail.

**Right of first refusal**

If the Borrower receives a bona fide offer from a third party to purchase all or portion of the Collateral and the Borrower is prepared to accept such offer (an "Offer"), the Borrower shall, before accepting such Offer, send a notice (a "First Rights Notice") to the DIP Lender with a copy of the Offer. The DIP Lender shall have the right, within at least fifteen (15) days following reception of the First Rights Notice, to purchase the Collateral subject to the Offer, substantially on the terms and conditions set forth in the Offer, provided that the purchase price offered by the DIP Lender shall be at least 5% over and above the purchase price set forth in the Offer.

If the Borrower receives a bona fide offer from any third party to provide new or additional DIP Financing and the Borrower is prepared to accept such offer (a "DIP Offer"), the Borrower shall, before accepting such offer, send a notice (a "First Right DIP Notice") to the DIP Lender with a copy of the Offer. The DIP Lender shall have the right, within at least ten (10) days following reception of the First Rights DIP Notice, to provide the contemplated DIP Financing substantially on the terms and conditions set forth in the DIP Offer.

**Taxes:**

All payments by the Borrower under this Agreement and the other DIP Facility Documents, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an Event of Default, shall be made free and clear of, without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any

political subdivision of any country (collectively, "Taxes"); provided, however, that if any Taxes are required by applicable law to be withheld ("Withholding Taxes") from any amount payable to the DIP Lender under this Agreement or under any DIP Facility Documents, the amounts so payable to the DIP Lender shall be increased to the extent necessary to yield to the DIP Lender on a net basis after payment of all Withholding Taxes, the amount payable under such DIP Facility Documents at the rate or in the amount specified in such DIP Facility Documents and the Borrower shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.

**Further Assurances:** The Borrower shall, at its own expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the DIP Lender may reasonably request for the purpose of giving effect to this Agreement.

**Entire Agreement:** This Agreement and the DIP Facility Documents together constitute the entire agreement between the parties related to the subject matter hereof. To the extent there is any inconsistency between this Agreement and any of the other DIP Facility Documents, this Agreement shall prevail.

**Credit Bidding:** Nothing herein shall preclude the DIP Lender from credit bidding for the assets of the Borrower in a sales process.

**Business Days:** If any payment is due on a day which is not a business day in Calgary and New York City, such payment shall be due on the next following business day.

**Amendments and Waivers:** No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Facility Documents will operate as a waiver hereof or thereof unless made in writing and delivered in accordance with the terms of this Agreement.

**Assignment:** The DIP Lender may assign this Agreement and its rights and obligations hereunder, in whole or in part, or grant a participation in its rights and obligations hereunder to any party acceptable to the DIP Lender in its sole and absolute discretion (subject to providing the Borrower and the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the DIP Lender hereunder). Neither this Agreement nor any right and obligation hereunder may be assigned by the Borrower.

**Severability:** Any provision in this Agreement or in any DIP Facility Documents which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or effecting the validity of enforceability of such provision in any other

jurisdiction.

**No Third Party Beneficiary:** No person, other than the Borrower, the DIP Lender or the Indemnified Persons, is entitled to rely upon this Agreement and the parties expressly agree that this Agreement does not confer rights upon any party not a signatory hereto.

**Press Releases:** The Borrower shall not issue any press releases naming the DIP Lender without its prior approval, acting reasonably, unless the Borrower is required to do so by applicable securities laws or other applicable law.

**Counter Parts and Facsimile Signatures:** This Agreement may be executed in any number of counterparts and by e-mail, including in PDF format, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

**Notices:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

**In the case of the DIP Lender:**

WP Private Equity XI Inc.  
450 Lexington Ave  
New York, NY 10017  
United States of America

Attention: Roy Ben-Dor  
Email: [roy.ben-dor@warburgpincus.com](mailto:roy.ben-dor@warburgpincus.com)

**With a copy to:**

Stikeman Elliott LLP  
4300 Bankers Hall West  
888 - 3rd Street S.W.  
Calgary, Alberta  
T2P 5C5

Attention: Craig Story / Guy P. Martel  
Email: [cstory@stikeman.com](mailto:cstory@stikeman.com) / [gmartel@stikeman.com](mailto:gmartel@stikeman.com)

**In the case of the CCAA parties:**

c/o Endurance Energy Ltd.  
700 4 Ave SW  
Calgary, Alberta

T2P 3J4

Attention: Steven VanSickle  
Email: [steven.vansickle@enduranceenergy.ca](mailto:steven.vansickle@enduranceenergy.ca)

**With a copy to:**

Thornton Grout Finnigan LLP  
Suite 3200, 100 Wellington Street West  
P. O. Box 329, Toronto-Dominion Centre  
Toronto, Ontario M5K 1K7

Attention: Robert Thornton and Leanne Williams  
Email: [rthornton@tgf.ca](mailto:rthornton@tgf.ca) / [lwilliams@tgf.ca](mailto:lwilliams@tgf.ca)

**In either case, with a copy to the Monitor:**

FTI Consulting Canada Inc.  
Ernst & Young Tower  
440 2nd Avenue SW, Suite 720  
Calgary AB T2P 5E9

Attention: Deryck Helka  
E-mail: [deryck.helkaa@fticonsulting.com](mailto:deryck.helkaa@fticonsulting.com)

Any such notice shall be deemed to be given and received, when received, unless received after 5:00 PM local time or on a day other than a business day, in which case the notice shall be deemed to be received the next business day.

**Governing Law  
and Jurisdiction:**

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

*[Signature pages follow]*

**AS DIP LENDER:**

**WP PRIVATE EQUITY XI INC.**

by \_\_\_\_\_

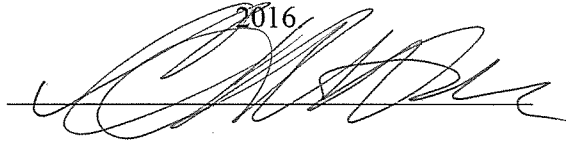
**AS BORROWER:**

**ENDURANCE ENERGY LTD.**

by \_\_\_\_\_



This is Exhibit "L" referred to in the affidavit of Steven VanSickle sworn before me on May 30,  
2016

A handwritten signature in black ink, appearing to read "Carol J. Hunter", written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

**CAROL J. HUNTER**

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



May 30, 2016  
FTI Consulting Canada Inc.  
Suite 720  
440 – 2<sup>nd</sup> Ave S.W.  
Calgary, AB  
T2P 5E9  
Attention: Deryck Helkaa, CA•CIRP

Dear Sir:

Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA")  
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the application by Endurance Energy Ltd. ("Endurance") for the commencement of proceedings under the CCAA in respect of Endurance, the management of Endurance ("Management") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement is based.

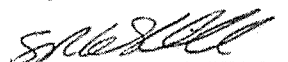
Endurance confirms that:

1. The Cash-Flow Statement and the underlying assumptions are the responsibility of the Endurance;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to FTI Consulting Canada Inc. in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
  - a. That the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
  - b. That the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

Steven VanSickle  
President and CEO  
Endurance Energy Ltd.

Endurance Energy Ltd.  
13 Week Cash Flow Forecast

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total	Note
	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug	Forecast Period	
Opening Cash	-	432,906	6,501,077	5,055,592	4,418,798	701,634	4,149,972	3,003,273	2,470,273	3,238,780	2,175,002	1,122,302	434,302	-	
<b>Cash Receipts</b>															
Revenue	-	-	-	-	3,942,771	-	-	-	4,564,773	-	-	-	5,080,401	13,587,945	1
<b>Total - Operating Receipts</b>	-	-	-	-	3,942,771	-	-	-	4,564,773	-	-	-	5,080,401	13,587,945	
<b>Cash Disbursements</b>															
Royalty Expense	2,709	17,200	-	2,800	-	-	17,200	-	400	-	17,200	-	-	57,509	2
Operating Expense	1,035,093	562,967	565,485	425,000	968,845	425,000	579,499	425,000	1,392,332	437,116	425,000	580,000	828,000	8,649,338	3
Monthly AER LLR Deposit Payments	363,034	-	-	-	300,000	-	-	-	300,000	-	-	-	300,000	1,263,034	4
Property Taxes	-	-	-	-	3,537,324	-	-	-	-	-	-	-	-	3,537,324	5
Capital Expenditure	-	-	-	50,000	-	-	-	50,000	-	-	-	50,000	-	150,000	6
Transportation	250,000	-	-	-	1,373,073	-	-	-	1,109,522	-	-	-	1,136,586	3,869,181	7
Payroll	-	1,662	855,000	-	542,000	1,662	525,000	-	557,000	1,662	585,500	-	1,662	3,071,148	8
G&A	227,988	25,000	25,000	125,994	60,679	25,000	25,000	25,000	161,672	25,000	25,000	25,000	161,672	938,005	9
Professional Fees	-	1,125,000	-	-	600,000	-	-	-	-	600,000	-	-	-	2,325,000	10
Interest/Fees	487,500	-	-	-	125,014	-	-	-	175,340	-	-	-	813,907	1,601,760	11
Tax/Other	(199,230)	-	-	33,000	153,000	-	-	33,000	100,000	-	-	33,000	-	152,770	12
<b>Total - Operating Disbursements</b>	<b>2,167,094</b>	<b>1,731,829</b>	<b>1,445,485</b>	<b>636,794</b>	<b>7,659,935</b>	<b>451,662</b>	<b>1,146,699</b>	<b>533,000</b>	<b>3,796,266</b>	<b>1,063,778</b>	<b>1,052,700</b>	<b>688,000</b>	<b>3,241,827</b>	<b>25,615,068</b>	
<b>Net Change in Cash from Operations</b>	<b>(2,167,094)</b>	<b>(1,731,829)</b>	<b>(1,445,485)</b>	<b>(636,794)</b>	<b>(3,717,164)</b>	<b>(451,662)</b>	<b>(1,146,699)</b>	<b>(533,000)</b>	<b>768,507</b>	<b>(1,063,778)</b>	<b>(1,052,700)</b>	<b>(688,000)</b>	<b>1,838,574</b>	<b>(12,027,124)</b>	
<b>Total Net Cash Flow</b>	<b>(2,167,094)</b>	<b>(1,731,829)</b>	<b>(1,445,485)</b>	<b>(636,794)</b>	<b>(3,717,164)</b>	<b>(451,662)</b>	<b>(1,146,699)</b>	<b>(533,000)</b>	<b>768,507</b>	<b>(1,063,778)</b>	<b>(1,052,700)</b>	<b>(688,000)</b>	<b>1,838,574</b>	<b>(12,027,124)</b>	
DIP Financing	2,600,000	7,600,000	-	-	-	3,900,000	-	-	-	-	-	-	-	14,300,000	
Ending cash	432,906	6,501,077	5,055,592	4,418,798	701,634	4,149,972	3,003,273	2,470,273	3,238,780	2,175,002	1,122,302	434,302	2,272,876	2,272,876	

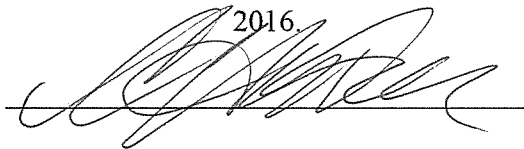
  
Steven Van Sickle, President and CEO  
Endurance Energy Ltd

**Notes:**

Management of Endurance Energy Ltd. ("Endurance") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Endurance during the CCAA Proceedings. The Projected Cash Flow Statement is based on the probable and hypothetical assumptions detailed in Notes 1 - 12. Consequently, actual results will likely vary from performance projected and such variations may be material.

- 1 - Revenue relates to proceeds from the sale of Endurance's natural gas and condensate production. Production forecast based on current production adjusted for natural production decline and planned downtime. The forecast sales price is based on third party forecasts at AECO.
- 2 - Royalties relate to royalties paid to freehold land owners and the crown. Rates are based off of historical averages.
- 3 - Operating expenses are based off of the Company's annual operating cost budget and relates to the costs to operate the Company's wells and facilities.
- 4 - The monthly AER LLR deposit payments are estimates based on maintaining an LMR ratio of 1.0 on the Company's Alberta assets
- 5 - Property taxes relate to the 2016 property tax owing by Endurance for properties in the Sierra area of British Columbia.
- 6 - Capital expenditures are based on planned capital maintenance projects.
- 7 - Transportation costs relate to transporting Endurance's natural gas and condensate production from well head to market and is based on projected production volume multiplied by current transportation rates.
- 8 - Payroll relates to salaries and benefits for Endurance's field and head office employees.
- 9 - G&A includes costs associated with running the Company's head office and includes IT costs, office lease costs, etc and are based on historical averages.
- 10 - Professional/legal fees include fee estimates provided by the proposed monitor, the proposed monitors counsel, the Company's counsel, the Company's financial advisors and the interim lender's counsel.
- 11 - Interest and fees relates to interest, standby fees and other fees related to the Company's DIP financing.
- 12 - Taxes/Other relates to payments for GST and Joint Venture billings

This is Exhibit "M" referred to in the affidavit of Steven VanSickle sworn before me on May 30, 2016.

A handwritten signature in black ink, appearing to read "Carol J. Hunter", is written over a horizontal line.

A Commissioner of Oaths for  
the Province of Alberta

CAROL J. HUNTER

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

## ESCROW AGREEMENT

**THIS ESCROW AGREEMENT** is made as of 29<sup>th</sup> day of March, 2016 by and between Endurance Energy Ltd., a corporation incorporated under the laws of the province of Alberta ("Endurance"), and BMO Capital Markets ("BMO"), and Thornton Grout Finnigan LLP ("TGF"), acting as escrow agent (the "Escrow Agent")

**WHEREAS**, Endurance has retained the Escrow Agent to act as legal counsel while it examines strategic alternatives related to its capital structure and other business initiatives;

**AND WHEREAS**, Endurance is considering engaging a financial advisor while it examines strategic alternatives and Endurance has had discussions with BMO regarding their engagement;

**AND WHEREAS**, Endurance will deposit C\$1,500,000 (the "Retainer") with the Escrow Agent to pay any amounts incurred under the BMO Invoices;

**NOW THEREFORE**, in consideration of the mutual promises and agreements set forth in this Agreement, the parties hereby agree as follows:

### ARTICLE I DEFINITIONS AND INTERPRETATION

#### 1.01 Definitions

Whenever used in this Agreement the following words and terms have the meanings ascribed below.

**"BMO Invoices"** means the invoices received by the Escrow Agent from BMO, from time to time, setting out any amounts payable for BMO's engagement in accordance with the Engagement Letter.

**"Escrow Agreement"** means this Escrow Agreement, including all schedules and all amendments or restatements, and references to "Article" or "Section" mean the specified Article or Section of this Agreement.

**"Engagement Letter"** means the letter agreement to be agreed upon between Endurance and BMO setting out the terms and conditions of BMO's engagement by Endurance.

**"Escrow Agent"** means TGF.

**"Funds"** means the amount of remaining funds held by the Escrow Agent.

**"Party"** means any Person that is a signatory to this Agreement.

**"Person"** means any individual, corporation, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, or body

corporate and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

## 1.02 Certain Rules of Interpretation

In this Agreement:

- (i) *Currency* – Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (ii) *Governing Law* – This Agreement is a contract made under, governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable in the Province of Alberta.
- (iii) *Headings* – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (iv) *Including* – Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.
- (v) *Number and Gender* – Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (vi) *Severability* – If, in any jurisdiction, any provision of this Agreement or its application to any Person or circumstance is restricted, prohibited or unenforceable, such provision is, as to that jurisdiction, ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement, affecting the validity or enforceability of such provision in any other jurisdiction or affecting its application to other Persons or circumstances.
- (vii) *Statutory References* – A reference to a statute includes all regulations made pursuant to the statute and, unless otherwise specified, the provisions of any statute or regulation that amends, supplements or supersedes the statute or the regulation.

## ARTICLE II APPOINTMENT OF ESCROW AGENT

### 2.01 Appointment of the Escrow Agent

The Parties hereby appoint the Escrow Agent to act as escrow agent to hold the Retainer upon and subject to the terms of this Agreement and the Engagement Letter and the Escrow Agent hereby accepts such appointment on and subject to the terms of this Escrow Agreement.

**ARTICLE III  
DEPOSIT OF MONIES**

**3.01 Retainer**

Endurance shall, within, two (2) business days of the date hereof, deposit with the Escrow Agent the Retainer to be held in trust by the Escrow Agent for the payment of any BMO Invoices, as received from time to time.

**3.02 Non-Interest Bearing Account**

The Escrow Agent shall deposit the Retainer into a non-interest bearing trust account with HSBC Bank Canada.

**ARTICLE IV  
RELEASE OF THE FUNDS**

**4.01 Release Conditions**

The Escrow Agent shall only release Funds to BMO upon receipt of a BMO Invoice equalling the amount of such BMO Invoice.

**4.02 Authorization and Direction**

Endurance has executed a letter authorizing and directing the Escrow Agent to release the Funds in accordance with the terms herein (the "Authorization and Direction"). The Authorization and Direction is attached hereto as Schedule "A".

**ARTICLE V  
LIABILITY OF ESCROW AGENT**

**5.01 Liability of Escrow Agent**

The Escrow Agent shall not be liable for any action taken or omitted to be taken by it in good faith and in the exercise of its judgment. The Escrow Agent may at any time consult with independent legal counsel of its own choice in any such matters, shall have full and complete authorization and protection from any action taken or omitted by it hereunder in accordance with the advice of such legal counsel, and shall incur no liability for any delay reasonably required to obtain the advice of any such legal counsel.

**5.02 Indemnity of Escrow Agent**

Endurance shall jointly and severally indemnify the Escrow Agent for, and hold it harmless against, any loss, liability, cost or expense (including reasonable fees and disbursements of legal counsel), reasonably incurred by it without gross negligence, bad faith, fraud or wilful misconduct on its part, arising out of or in connection with this Agreement, including the costs



and expenses of defending itself against any claim or liability in connection with any such matter.

The Escrow Agent shall not be liable for any loss of any of the Retainer not resulting from its gross negligence, bad faith, fraud or wilful misconduct.

### **5.03 Limitation of Responsibility**

The Escrow Agent is hereby authorized to disregard any and all other notices or directions related to the Retainer and is hereby expressly authorized to comply with and obey any and all orders, judgments or decrees of the Court of Queen's Bench of Alberta or any such Court of competent jurisdiction and shall not be liable to any of the Parties for such compliance.

The Escrow Agent shall be under no duty or obligation to ascertain the identity, authority, or rights of the Parties (or their agents) executing or delivering or purporting to execute or deliver this Escrow Agreement, or any directions, instruments, documents, or papers related hereto.

The Escrow Agent shall not be obligated to take any legal action hereunder which might, in the Escrow Agent's judgment, involve any expense or liability unless the Escrow Agent shall have been furnished with a reasonable retainer and satisfactory indemnity provided by Endurance and such other Persons as may be required by the Escrow Agent, acting reasonably.

### **5.04 Acknowledgement of Escrow Agent's Representation**

The Parties acknowledge that:

- (a) the Escrow Agent or its partners, employees, agents or associates have provided counsel to Endurance in connection with its mandate, as described above, and in connection with this Agreement;
- (b) the duties of the Escrow Agent related to the release of the Funds pursuant to the BMO Invoices are purely mechanical and are not subject to any discretion on the part of the Escrow Agent; and
- (c) the Escrow Agent shall continue to be at liberty to act as counsel to Endurance and its related entities on this or any other matter notwithstanding the Escrow Agent's role hereunder.

## **ARTICLE VI GENERAL**

### **6.01 Confidentiality**

All individual information provided pursuant to this Escrow Agreement shall remain confidential and privileged.

**6.02 Benefit of the Agreement**

This Agreement enures to the benefit of and is binding upon the respective heirs, executors, administrators, successors and permitted assigns of the Parties.

**6.03 Amendment**

This Agreement may only be amended, supplemented, modified or terminated by the agreement in writing of the Parties and the consent of the Panel, unless provided for otherwise in this Agreement.

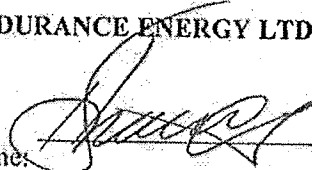

**6.04 Execution and Delivery**

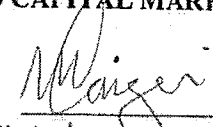
This Agreement may be executed by the Parties in counterparts and may be executed and delivered by fax or other electronic means, and all such counterparts together constitute one agreement.

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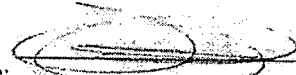
IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

**ENDURANCE ENERGY LTD.**

Per:    
Name: \_\_\_\_\_  
Title: Dave Summers  
Chief Operating Officer  
BMO CAPITAL MARKETS  
Kim Schoenroth  
Vice President & C.O.

Per:   
Name: Mark Corder  
Title: Managing Director

**THORNTON GROUT FINNIGAN LLP**

Per:   
Name: \_\_\_\_\_  
Title: Partner

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**Schedule "A" – Authorization and Direction**

**TO:** Thornton Grout Finnigan LLP (the "Escrow Agent")  
**FROM:** Endurance Energy Ltd.  
**RE:** Direction to release Funds pursuant to BMO Invoices

---

**WHEREAS** all capitalized terms have the meaning ascribed to them in the Escrow Agreement dated March 29<sup>th</sup>, 2016;

1. In accordance with the Escrow Agreement, Endurance Energy Ltd. hereby irrevocably directs the Escrow Agent to release Funds from time to time to BMO in such amounts as are sufficient to satisfy any BMO Invoices as and when such BMO Invoices are received by the Escrow Agent.

And this shall be your good and sufficient authority for so doing.

**DATED:** March 29<sup>th</sup>, 2016

**ENDURANCE ENERGY LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

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