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Clerk's Stamp

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF

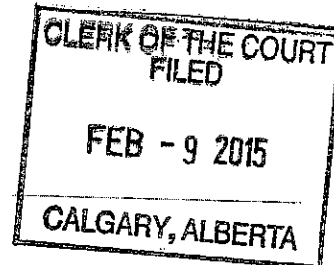
NATIONAL BANK OF CANADA

DEFENDANT

PALLISER OIL & GAS CORPORATION

DOCUMENT

**AFFIDAVIT of Elizabeth Pineda
sworn February 2, 2015**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Norton Rose Fulbright Canada LLP
3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Phone: 403-267-8222
Fax: 403-264-5973
Attention: Howard A. Gorman, Q.C. / Randal Van de Mosselaer
File No. 01124572-0585

I, Elizabeth Pineda, of the City of Calgary, in the Province of Alberta, swear and say that:

INTRODUCTION

1. I am a Manager in the Special Loans Department at the National Bank of Canada (the "Bank") and as such have personal knowledge of the facts and matters hereinafter deposed to except where stated to be based on information and belief and where so stated I do verily believe the same to be true.
2. I have been directly involved with the Palliser Oil & Gas Corporation ("Palliser") account since approximately March, 2014 and have also had the opportunity to review the business records of the Bank relevant to the Palliser account and the within proceedings and Application and have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit on behalf of the Bank.

BUSINESS OF PALLISER

3. Palliser is a corporation registered to carry on business in the Province of Alberta with its head office in the City of Calgary, in the Province of Alberta.
4. The common shares of Palliser trade on the TSX Venture Exchange.

LOAN INDEBTEDNESS

5. The Bank, as Lender, provided various secured loans to Palliser as Borrower. The Loan Agreements, including amendments, include the following:

- (a) a Commitment Letter dated September 2, 2011 as amended or restated February 2, 2012, May 15, 2012, June 4, 2012, August 8, 2012, August 21, 2012, September 11, 2012, October 22, 2012, December 31, 2012, March 27, 2013, May 16, 2013, June 18, 2013, October 29, 2013, and December 17, 2013, providing for a Revolving Operating Demand Loan, an Acquisition Demand Loan and a Mastercard Facility. The Commitment Letter, together with all amendments and restatements thereof, is attached as **Exhibit "A"** to this my Affidavit (collectively, the "**Loan Agreements**");
 - (b) a Loan Amending and Extension Forbearance Agreement dated July 29, 2014, as amended and extended on October 31, 2014, November 7, 2014, November 28, 2014, December 5, 2014, December 12, 2014, December 19, 2014, Jan. 9, 2015, and Jan. 16, 2015 (collectively, the "**Loan Amendment and Extension Agreement**"). A true copy of the Loan Amendment and Extension Agreement is attached and marked as **Exhibit "B"** to this my Affidavit .
6. In accordance with the terms of the Loan Agreements, the Bank advanced various loans to Palliser. As at January 27, 2015 and continuing to this date, the total indebtedness of Palliser to the Bank under various credit facilities is in excess of \$40,337,542.23.
7. It is an express term of the Loan Agreements that the total indebtedness owing by Palliser was repayable on either demand by the Bank or upon an event of default by Palliser.
8. It was an express term of the Loan Amendment and Extension Agreements that the total indebtedness owing to the Bank would mature and be repayable, in full, upon an event of default by Palliser, and no later than January 26, 2015.

GRANTING OF SECURITY

9. As security for the amounts advanced pursuant to the Loan Agreements, Palliser granted various security to the Bank, which security includes:
 - (a) Demand Debenture dated September 20, 2011, a true copy of which is attached hereto and marked as **Exhibit "C"** to this my Affidavit;
 - (b) First Supplemental Debenture dated January 25, 2013, a true copy of which is attached and marked as **Exhibit "D"** to this my Affidavit;
 - (c) Second Supplemental Debenture dated March 20, 2014, a true copy of which is attached as **Exhibit "E"** to this my Affidavit;
 - (d) Pledge Agreement dated September 20, 2011, a true copy of which is attached and marked as **Exhibit "F"** to this my Affidavit;
 - (e) General Assignment of Book Debts dated September 20, 2011, a true copy of which is attached and marked as **Exhibit "G"** to this my Affidavit

(collectively the "**Security**").
10. Attached hereto and marked as **Exhibit "H"** to this my Affidavit is a true copy of an Alberta Personal Property Registry search for Palliser dated January 26, 2015.

THE FORBEARANCE AGREEMENT

11. At the request of Palliser, the Bank has provided various extensions (collected at Exhibit "C" hereto) to the Loan Agreements, in order to allow Palliser an opportunity to restructure its indebtedness by way of a proposed Amalgamation Agreement with Maha Energy Inc. ("Maha"). The proposed Amalgamation with Maha is specifically mentioned in the Loan Amendment and Extension Agreement, and failure to close the Maha transaction is accordingly an event of default thereunder.
12. Eventually, the proposed Amalgamation Agreement With Maha expired on its own terms, and no new transaction with Maha was concluded. In this regard, attached hereto and marked as **Exhibit "I"** to this my Affidavit is a copy of a Material Change Report filed by Palliser on December 3, 2014.
13. Notwithstanding the expiration of the Amalgamation Agreement with Maha, and at Palliser's request, the Bank agreed to further extensions of the Loan Amendment and Extension Agreement to allow Palliser an opportunity to determine if another transaction might be available to it. However, by approximately January 23, 2015 the Bank had become increasingly concerned about the state of Palliser's cash-flow and accordingly the Bank elected not to grant a further extension to the Loan Amendment and Extension Agreement.
14. As a result, Palliser is in default of its covenants and commitments under the Loan Agreements and the Loan Amendment and Extension Agreement including the following:
 - (a) Palliser has failed to repay the indebtedness to the Bank, in full, by January 26, 2015;
 - (b) Palliser has failed to close on the Amalgamation Agreement with Maha; and
 - (c) Palliser is in breach of its working capital covenants under the Loan Agreements.

DEMAND AND NOTICE

15. In contravention of the terms of the Loan Agreements, Palliser failed to repay the total indebtedness owing to the Bank and has committed further Events of Default as outlined herein.
16. By terms of the Loan Agreements and Security, the Events of Default by Palliser entitle the Bank to exercise various remedies, one of which is to apply to this Court for the appointment of a Receiver and Manager.
17. On January 27, 2015, the Bank, through its solicitors, issued a Demand and a Notice pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act* and Notice of Intention to Enforce Security (the "**Demand**"), true copies of which are attached hereto and marked as **Exhibit "J"** to this my Affidavit.
18. Notwithstanding the Demand, Palliser has failed to repay the total indebtedness owing or remedy the other outstanding Events of Default.


FTI CONSULTING CANADA INC.

- 19. In all of the circumstances, I do verily believe that the appointment of a Receiver and Manager or, alternatively, a Receiver of the undertakings, property and assets of Palliser, is necessary to protect the interests of the Bank and to preserve and realize upon the Security.
- 20. It is further my belief that the Security of the Bank in respect of Palliser is at risk in light of the current Palliser financial predicament and that such Security may be further eroded unless a Receiver and Manager or, in the alternative, a Receiver, is appointed over the property, assets and undertakings of Palliser.
- 21. I do verily believe that FTI is prepared to act and has consented to be appointed as Receiver and Manager or, alternatively, as Receiver of Palliser. Attached hereto and marked as **Exhibit "K"** to this my Affidavit is a true copy of the Consent to Act as Receiver executed by FTI.

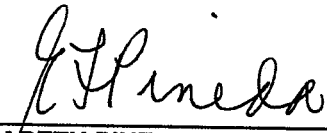
CONCLUSION

- 22. I am authorized to swear this Affidavit on behalf of the Bank.
- 23. I make this Affidavit for no improper purpose.
- 24. I make this Affidavit in support of an Application to this Court to appoint FTI as Receiver and Manager over the undertakings, property and assets of Palliser and for such other and related relief as may be sought.

SWORN BEFORE ME at Calgary, Alberta, this)
2nd day of February, 2015.)



 Commissioner for Oaths in and for the
 Province of Alberta




 ELIZABETH PINEDA

Gunnar Benediktsson
Barrister & Solicitor

SEP 12 2011

September 2, 2011

THIS IS EXHIBIT " A "
referred to in the Affidavit of
Elizabeth Pineda
Sworn before me this 2
Day of February A.D. 20 11


A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

Gunnar Benediktsson
Barrister & Solicitor

BY COURIER

Palliser Oil & Gas Corporation
840 – 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

ATTENTION: Mr. Kevin Gibson
President & CEO

Mr. Ivan Condic
VP Finance & CFO

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and condition set out herein. This Offering Letter contains all the terms and conditions pertaining to the availability of Credit Facilities from National Bank of Canada.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$18,000,000.

PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures and to pay out existing credit facilities at ATB Financial.

AVAILABILITY: Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$100,000.

Bankers' acceptances ("BAs") in Canadian dollars.

Letters of credit and/or letters of guarantee ("L/C/Gs") (maximum term one year). The aggregate Face Amount of L/C/Gs issued and outstanding at any time limited to \$1,500,000 in any currency acceptable to the Bank.

REPAYMENT: Interest only but always subject to Availability, Review, and the Bank's right of demand.

INTEREST RATE:

Prime Rate Loans

The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility A at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one percent (Prime Rate + 1.00% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

Canadian Dollar BAs

Subject to market availability, in multiples of \$100,000 and minimum draws of \$1,000,000, BAs at a Stamping Fee of two and one-quarter percent per annum (2.25% p.a.) and calculated on the basis of the number of days elapsed in a 365 day year, payable at time of acceptance by the Bank. BAs shall have a minimum term of 30 days and maximum term of 90 days, and shall not include any days of grace. The BAs shall remain in effect until the maturity of the term selected. If the Bank does not receive written instructions from the Borrower concerning renewal of the BAs, then Prime Rate Loans shall be automatically utilized until written instructions are received from the Borrower.

STANDBY FEE:

One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility A (the "Standby Fee"), payable monthly on the first Business Day of each month.

L/C/G FEE:

One and one-half percent per annum (1.50% p.a.), based on a 365 or 366 day period, as the case may be, of the issue amount, payable at issue (the "L/C/G Fee"). This non-refundable, upfront fee is to be based on the number of months the L/C/G is to be outstanding with any portion of 31 days to be considered a complete month.

**DRAWDOWN,
NOTIFICATION,
AND CONVERSION:**

All Advances under Credit Facility A may only be drawn on a day that is a Business Day.

Prime Rate Loans

As required.

Canadian Dollar BAs

The Borrower shall provide two Business Days written notice to the Bank for Advances of BAs, notice to be received no later than 9:00 a.m. Mountain Time. The Borrower shall also provide two Business Days written notice for conversion of BAs at maturity to Prime Rate Loans.

EVIDENCE OF DEBT:

Revolving Demand Credit Agreement, Power of Attorney Form and Acknowledgement for Bankers' Acceptances, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

DRAWDOWN AMOUNT #1: \$4,425,000.

DRAWDOWN AMOUNT #2: \$5,575,000.

PURPOSE: Credit Facility B shall only be used by the Borrower to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.

First advance of \$4,425,000 in September, 2011 for the drilling and reactivation/recompletion of 13 wells at Edam, Lloydminster, Manitou, and Marsden ("First Advance").

Second advance of \$5,575,000 in October, 2011 for the drilling and reactivation/recompletion of 10 wells at Edam, Lloydminster, Manitou and Marsden ("Second Advance").

AVAILABILITY: Prime Rate loans ("Prime Rate Loans") in Canadian dollars, available by way of multiple draws subject to prior engineering review by the Bank utilizing the Bank's normal lending parameters accorded to the proved producing petroleum and natural gas reserves being acquired and/or evidence of capital expenditures on approved development of proved non-producing/undeveloped reserves.

REPAYMENT: Subject to Availability, Review, and the Bank's right of demand, monthly principal repayments over the half-life of the reserves being financed, as determined by the Bank. Repayment to commence the month following drawdown.

Initially, principal repayments of \$500,000/month commencing January 1, 2012.

INTEREST RATE: The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility B at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one and one-half percent (Prime Rate + 1.50% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

CREDIT FACILITY FEE: One-half percent (0.50%) on the amount of each Advance drawn on the Credit Facility B, due and payable at the commitment for such Advance. Non-refundable.

Initially, \$50,000 payable upon provision of this Offering Letter. Non-refundable.

STANDBY FEE: One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility B (the "Standby Fee"), payable monthly on the first Business Day of each month.

CONDITIONS PRECEDENT TO FUNDING: In addition to all other Conditions Precedent set out in this Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:

1. Copy of the executed purchase and sale agreement and any related conveyance, as applicable;
2. Variable Rate Demand Promissory Note in the face amount to be drawn;
3. Engineering report of the petroleum reserves to be purchased or developed;
4. Satisfactory evidence of title to petroleum and natural gas properties subject to the Security;
5. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable; and
6. Corporate projections of balance sheet and income statement for the contemplated acquisition, as applicable.

With respect to the First Advance:

1. A Variable Rate Demand Promissory Note in the face amount of \$4,425,000 duly executed and delivered to the Bank by the Borrower; and
2. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable.

With respect to the Second Advance:

1. A Variable Rate Demand Promissory Note in the face amount of \$5,575,000 duly executed and delivered to the Bank by the Borrower; and
2. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable.

EVIDENCE OF DEBT:

Variable Rate Demand Promissory Note and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY C:

MASTERCARD FACILITY (the "Credit Facility C").

MAXIMUM AMOUNT:

\$50,000.

PURPOSE:

Credit Facility C shall only be used by the Borrower to facilitate travel, entertainment, and supplier expenses for company officers.

REPAYMENT:

Payment in full, monthly.

INTEREST RATE:

Standard rates as established from time to time by MasterCard.

EVIDENCE OF DEBT:

MasterCard monthly statements and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

RISK MANAGEMENT FACILITY (the "Risk Management Facility")

PURPOSE:

Risk Management Facility shall be used by the Borrower for Financial Instruments.

AVAILABILITY:

Various Financial Instruments. Maximum term 26 months. Subject to Bank availability and including a cross default limit of \$250,000.

SETTLEMENT:

Settlement as per contract maturities.

EVIDENCE OF USAGE:

Executed treasury contracts, executed ISDA Master Agreement with appropriate annexes, other documentation acceptable to the Bank, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

FOR ALL CREDIT FACILITIES

DEFINITIONS:

In this Offering Letter, including the Appendices hereto and in all notices given pursuant to this Offering Letter, capitalized words and phrases shall have the meanings given to them in this Offering Letter in their proper context, and words and phrases not otherwise defined in this Offering Letter but defined in Appendix C to this Offering Letter shall have the meanings given to them in Appendix C to this Offering Letter.

INTERPRETATION:

In this Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES:

\$84,000. \$34,000 collected and \$50,000 due and payable upon provision of this Offering Letter. Non-refundable.

This fee includes the Bank's engineering expenses incurred for this Review. This fee is in addition to and not in substitution for any other fees due and payable under this Offering Letter.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or

affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Offering Letter dated September 2, 2011.
2. General Assignment of Book Debts.
3. \$75,000,000 Debenture with a floating charge over all assets of the Borrower with a negative pledge and undertaking to provide fixed charges on the Borrower's producing petroleum and natural gas properties at the request of the Bank, and pledge of such Debenture.
4. Evidence of insurance coverage in accordance with industry standards designating the Bank as first loss payee in respect of the proceeds of the insurance.
5. Appropriate title representation (Officer's Certificate as to Title) including a schedule of major producing petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (Working Interest or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances, and overrides); (or, at the request of the Bank, title opinion satisfactory to the Bank and its counsel).
6. Alberta Land Titles Office Name Search Consent from each Loan Party.
7. Assignment of revenues and monies under material contracts, as applicable.
8. Legal Opinion of the Bank's counsel.
9. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

The Security shall be registered in the Provinces of Alberta and Saskatchewan, in a first priority position, subject only to Permitted Encumbrances.

**REPRESENTATIONS
AND WARRANTIES:**

Each Loan Party represents and warrants to the Bank (all of which representations and warranties each Loan Party hereby acknowledges are being relied upon by the Bank in entering into this Offering Letter) that:

1. Each Loan Party has been duly incorporated or formed, as applicable, and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property.
2. This Offering Letter constitutes, and the Security and related agreements shall constitute, legal, valid, and binding obligations of each Loan Party party thereto, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies.
3. Each Loan Party has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Offering Letter.

4. Each Loan Party is presently in good standing under, and shall duly perform and observe, all material terms of all documents, agreements, and instruments affecting or relating to the petroleum assets of such Loan Party.
5. There has been no adverse material change in the financial position of any Loan Party since the date of its most recent consolidated financial statements dated June 30, 2011, which were furnished to the Bank. Such consolidated financial statements fairly present the financial position of each Loan Party at the date that they were drawn up. No Loan Party foresees incurring any major liability which it has not already disclosed to the Bank.
6. No Loan Party is involved in any dispute or legal or regulatory proceedings likely to materially affect its financial position or its capacity to operate its business.
7. No Loan Party is in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including, without limitation, all Environmental Requirements subsequently stated in Environmental Obligations.
8. The Borrower has no subsidiaries.
9. The chief executive office (for the purposes of the PPSA) of each Loan Party is located in Alberta.
10. Each Loan Party has all the requisite power, authority and capacity to execute and deliver this Offering Letter and the Security (to which it is a party) and to perform its obligations hereunder and thereunder.
11. The execution and delivery of this Offering Letter and the Security (to which it is a party) and the performance of the terms of this Offering Letter and such Security do not violate the provisions of any Loan Party's constating documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it.
12. The execution, delivery and performance of the terms of this Offering Letter and the Security (to which it is a party) will not constitute a breach of any agreement to which any Loan Party or its property, assets or undertaking are bound or affected.
13. No Loan Party has incurred any indebtedness or obligations for borrowed money (other than as contemplated hereby or payables incurred in the ordinary course of business or as previously disclosed in writing to the Bank) and has not granted any security ranking equal with or in priority to the Security (other than Permitted Encumbrances).

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Offering Letter shall survive the execution of this Offering Letter and all Security, and shall be deemed to be repeated as of the date of each Advance and as of the date of delivery of each Compliance Certificate, subject to modifications made by the Borrower to the Bank in writing and accepted by the Bank. The Bank shall be deemed to have relied upon such representations and warranties at each such time as a condition of making an Advance hereunder or continuing to extend the Credit Facilities hereunder.

**CONDITIONS
PRECEDENT:**

Prior to any drawdown under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Offering Letter, the "Conditions Precedent"):

1. A Revolving Demand Credit Agreement in the face amount of \$18,000,000 duly executed and delivered to the Bank by the Borrower.
2. Power of Attorney Form and Acknowledgement for Bankers' Acceptances duly executed and delivered to the Bank by the Borrower.
3. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
4. A legal opinion from the Borrower's counsel, in form and substance satisfactory to the Bank and its counsel, that each Loan Party has been duly incorporated (or formed, as applicable), is validly subsisting, and is in good standing, that the Security has been duly authorized and executed, and that each Loan Party has the corporate power and capacity to enter into and perform the obligations contemplated by this Offering Letter and the Security.
5. Satisfactory evidence to the Bank and its counsel that the Borrower has proper title to its major petroleum and natural gas interests and that no prior charges, liens, encumbrances, or claims exist against such interests.
6. Evidence of repayment of credit facilities at ATB Financial.
7. No Interest Letter and/or General Release and Discharge from ATB Financial.
8. True copy of constating documents, including all amendments thereto, of each Loan Party.
9. True copy of the resolutions of the board of directors of each Loan Party authorizing the execution and delivery of this Offering Letter and the Security.
10. All fees due and payable to the Bank shall have been paid.
11. No Default or Event of Default shall exist.
12. No Material Adverse Effect has occurred with respect to any Loan Party or the Security.
13. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

**REPORTING
REQUIREMENTS:**

The Borrower shall submit to the Bank:

1. Monthly production and revenue reports in form and substance satisfactory to the Bank within 60 calendar days of each month end;
2. Quarterly unaudited consolidated financial statements and Compliance Certificate within 60 calendar days of each fiscal quarter end for the first three fiscal quarters of each fiscal year;

3. Annual audited consolidated financial statements and Compliance Certificate within 120 calendar days of each fiscal year end;
4. Annual independent engineering report in form and substance satisfactory to the Bank on the petroleum and natural gas reserves of the Borrower within 120 calendar days of each fiscal year end, prepared by a firm acceptable to the Bank;
5. Annual consolidated budget for the following fiscal year, including production, cash flow and capital expenditures forecasts, within 120 days of each fiscal year end; and
6. Any other information the Bank may reasonably require from time to time.

**AFFIRMATIVE
COVENANTS:**

Each Loan Party shall (each of the below being an "Affirmative Covenant"):

1. Carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws.
2. Maintain its corporate existence and comply with all applicable laws.
3. Pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations.
4. Comply with all regulatory bodies and provisions regarding environmental procedures and controls.
5. Upon reasonable notice, allow the Bank access to its books and records, and take excerpts therefrom or make copies thereof, and to visit and inspect its assets and place(s) of business.
6. Maintain adequate and appropriate insurance on its assets including protection against public liability, blow-outs, and "all-risk" perils.
7. Inform the Bank of any event or action which would have a Material Adverse Effect on its operational or financial affairs, including but not limited to the sale of assets, guarantees, funded debt from other lenders, or alteration of type of business.
8. Keep and maintain books of account and other accounting records in accordance with GAAP.
9. Maintain an Adjusted Working Capital Ratio of not less than 1.00:1.00 at all times.
10. Pay all amounts due and payable hereunder and pursuant to the Security in accordance with the respective terms hereof and thereof.
11. As soon as practicable following receipt by such Loan Party of a request by the Bank to provide fixed charge security over the producing petroleum and natural gas properties of such Loan Party (and in any event not more than 5 Business Days following such request), furnish or cause to be furnished to the Bank, at the sole cost and expense of such Loan Party, fixed charge security over such producing and natural gas properties of such Loan Party as are specified by the Bank, in the form of a supplemental instrument to the Security.

12. Observe the terms of and perform its obligations under this Offering Letter and the Security, and under any other agreements now or hereafter made with the Bank.
13. Utilize the Advances only for the applicable purposes stipulated herein.
14. Notify the Bank, without delay, of (a) any litigation or proceeding in which it is a party if an adverse decision therein would require it to pay more than \$900,000 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (b) the institution of any other suit or proceeding involving it that might materially and adversely affect its property, assets or undertaking, or its operations, financial conditions or business.
15. Notify the Bank, without delay, of any Default or Event of Default.
16. Obtain and maintain the licenses and permits required to operate its business unless failure to obtain such licenses and permits could not reasonably be expected to result in a Material Adverse Effect.
17. Provide the Bank with any information or document that it may reasonably require from time to time.

**NEGATIVE
COVENANTS:**

No Loan Party shall, without the prior approval of the Bank (each of the below being a "Negative Covenant"):

1. Allow a Change of Control.
2. Merge, amalgamate, consolidate, or wind up its assets, unless (i) such merger, amalgamation, consolidation or winding up is with another Loan Party and (ii) it has notified the Bank, without delay, of such merger, amalgamation, consolidation or winding up.
3. Reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares, unless such distribution, dividends, redemptions, and repurchases do not impair the capacity of such Loan Party to fulfil its obligations with respect to the Credit Facilities, including the repayment of all Credit Facilities; notwithstanding the foregoing, no Loan Party shall reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares when a Default or an Event of Default has occurred and is continuing or shall reasonably be expected to occur as a result of reducing or distributing capital or paying dividends or redeeming or repurchasing common or preferred shares, as the case may be.
4. Incur further secured indebtedness, pledge or encumber assets, or guarantee the obligations of others.
5. Make loans or investments, except to or in another Loan Party.
6. Sell or dispose of any assets subject to the Bank's Security in the aggregate of greater than \$900,000 each calendar year. This shall include sale/leaseback transactions on facilities.
7. Hedge or contract crude oil, natural gas liquids, or natural gas, on a fixed price basis, exceeding 50% of actual production volumes.
8. Monetize or effect an early termination of any fixed price financial hedge or contract.

9. Make any material change in the nature of its business as carried on at the date hereof.
10. Utilize Advances to finance a hostile takeover.
11. Move its property, assets or undertaking outside the jurisdictions in which the Security is registered.
12. Move its chief executive office from Alberta.
13. Create, acquire or suffer to exist any subsidiary unless such subsidiary provides a guarantee and such other Security required by the Bank, in its sole discretion.
14. Experience a change in its executive management which, in the opinion of the Bank, acting in its sole discretion, has or may have a Material Adverse Effect.

**ENVIRONMENTAL
OBLIGATIONS:**

1. Each Loan Party shall comply with the requirements of all legislative and regulatory environmental provisions (the "**Environmental Requirements**") and shall at all times maintain the authorizations, permits, and certificates required under these provisions.
2. Each Loan Party shall immediately notify the Bank in the event a contaminant spill or emission occurs or is discovered with respect to its property, operations, or those of any neighbouring property. In addition, it shall report to the Bank forthwith any notice, order, decree, or fine that it may receive or be ordered to pay with respect to the Environmental Requirements relating to its business or property.
3. At the request of and in accordance with the conditions set forth by the Bank, each Loan Party shall, at its own cost, provide any information or document which the Bank may require with respect to its environmental situation, including any study or report prepared by a firm acceptable to the Bank. In the event that such studies or reports reveal that any Environmental Requirements are not being respected, the applicable Loan Party shall effect the necessary work to ensure that its business and property comply with the Environmental Requirements within a period acceptable to the Bank.
4. Each Loan Party undertakes to indemnify the Bank for any damage which the Bank may suffer or any liability which it may incur as a result of any non-compliance with the Environmental Requirements.
5. The provisions, undertakings, and indemnification set out in this section shall survive the satisfaction and release of the Security and payment and satisfaction of the indebtedness and liability of the Borrower to the Bank pursuant to the terms hereof.

EVENTS OF DEFAULT:

Notwithstanding that the Credit Facilities are on a demand basis, and without prejudice to the Bank's rights thereby, the following shall be considered events of default ("**Events of Default**"), upon the occurrence of which, or of a Default, the Bank may choose, in its sole discretion, to cancel all credit availability and to demand repayment of the Credit Facilities in full, together with outstanding accrued interest, fees and any other obligations of the Borrower to the Bank, and, without prejudice to the Bank's other rights and remedies, the Bank's Security shall become enforceable:

1. Immediately upon failure by any Loan Party to pay any instalment of principal, interest, fees, costs, incidental charges or any other amount payable hereunder or under any of the Security when due.

2. Any material representation or warranty contained in this Offering Letter, the Security, any certificate or any opinion delivered hereunder proves to be untrue.
3. Failure by any Loan Party to observe or comply with any Affirmative Covenant, Negative Covenant, Environmental Obligation, condition, or term as outlined herein, or in any Security document or underlying agreements delivered pursuant hereto (not otherwise specifically dealt with in this Events of Default Section).
4. In the opinion of the Bank, acting reasonably, a Material Adverse Effect in the financial condition of any Loan Party or to the operation of any Loan Party's assets has occurred.
5. If a petition is filed, an order is made or a resolution passed, or any other proceeding is taken for the winding up, dissolution, or liquidation of any Loan Party.
6. If proceedings are taken to enforce any encumbrance on the assets of any Loan Party having a value in the aggregate greater than \$900,000, excepting as long as such proceedings are being contested in good faith by such Loan Party and security satisfactory to the Bank has been provided to the Bank.
7. If any Loan Party ceases or threatens to cease to carry on its business, or if proceedings are commenced for the suspension of the business of any Loan Party, or if any proceedings are commenced under the Companies Creditors Arrangements Act (Canada) or under the Bankruptcy and Insolvency Act (Canada) (including filing a proposal or notice of intention) with respect to any Loan Party, or if any Loan Party commits or threatens to commit an act of bankruptcy, or if any Loan Party becomes insolvent or bankrupt or makes an authorized assignment pursuant to the Bankruptcy and Insolvency Act (Canada), or a bankruptcy petition is filed by or presented against any Loan Party.
8. If proceedings are commenced to appoint a receiver, receiver/manager, or trustee in respect of the assets of any Loan Party by a court or pursuant to any other agreement.
9. If any Loan Party is in default under the terms of any other contracts, agreements or writings with any other creditor having liens on the property of such Loan Party and such default could reasonably be expected to result in a Material Adverse Effect.
10. If the validity, enforceability or, where applicable, priority of this Offering Letter or any of the Security is prejudiced or endangered.
11. If an event of default under any of the Security occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any of the Security occurs.
12. If any event of default under any material agreement to which a Loan Party is a party occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any material agreement to which a Loan Party is a party occurs.
13. If the Bank in good faith believes and has commercially reasonable grounds to believe that the prospect of repayment of any Advance is or is about to be impaired or that the collateral secured by the Security is or is about to be placed in jeopardy.
14. If any Material Adverse Effect occurs.

**INTEREST ON
OVERDUE AMOUNTS:**

Notwithstanding any other provision of this Offering Letter, in the event that any amount due hereunder (including, without limitation, any interest payment) is not paid when due (whether by acceleration or otherwise), the Borrower shall and hereby agrees to pay to the Bank interest on such unpaid amount (including, without limitation, interest on interest), if and to the fullest extent permitted by applicable law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 10:00 a.m. at the place of payment on the date of such payment), and such interest shall accrue daily, be calculated and compounded on the last Business Day of each calendar month and be payable in the currency of the relevant Advance on demand, as well after as before maturity, default and judgment, at a rate per annum that is equal to: (i) the rate of interest then being charged on Prime Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in Canadian Dollars under such Credit Facility; and (ii) the rate of interest then being charged on Base Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in U.S. Dollars under such Credit Facility. The Borrower hereby waives, to the fullest extent it may do so under applicable law, any provisions of applicable law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

COSTS:

All reasonable third party expenses incurred by the Bank in connection with the Credit Facilities or this Offering Letter are for the account of the Borrower including, but not limited to, legal fees (on a solicitor and own client basis) and future engineering fees.

CHANGE OF LAWS:

Notwithstanding anything contained in this letter to the contrary, in the event that:

1. changes to any existing law or regulation or the introduction of any new law or regulation, or taxes other than income taxes, including, without limitation, a sales tax on loan transactions, or in the interpretation or administration thereof; or
2. compliance by the Bank with any request from or requirement of any central bank or other fiscal or monetary authority having jurisdiction over Canadian banks general (whether or not such request has the force of law);

cause the Bank to:

- a. incur any cost as a result of having entered into and/or performed its obligations hereunder and/or as a result of obligations or options remaining outstanding hereunder including, without limitation, any reserve or special deposit requirement or any payment on or calculated by reference to the amount of the Credit Facilities hereunder; or
- b. suffer a reduction in the rate of return on that part of its overall capital (not due to the rates of tax payable on their overall profits or net income) as a result of a requirement to attribute or allocate capital to the Credit Facilities or a Credit Facility provided hereunder in respect of that part of such Credit Facilities or Credit Facility which is for the time being undrawn as a result of a change in the manner in which the Bank is required to allocate resources to its obligations hereunder,

then the Bank reserves the right to increase the charges for the Credit Facilities or such Credit Facility provided hereunder by the amount of such additional cost of liability as determined by the Bank and the Borrower agrees that it will forthwith on demand pay to the Bank amounts sufficient to reimburse the Bank against such costs or liabilities.

CURRENT ACCOUNTS:

Each Loan Party shall open and maintain its current accounts at the Calgary Branch of the Bank through which it shall conduct all of its banking activities.

Regular Bank service charges shall apply in the day-to-day operations of each Loan Party's accounts.

**FOREIGN EXCHANGE
FLUCTUATIONS:**

If the amount of outstanding Advances under any Credit Facility is on any day, due to exchange rate fluctuations, in excess of the maximum amount with respect to such Credit Facility, the Borrower shall within five (5) Business Days after receiving notice thereof repay such excess or otherwise reduce a portion of such Advances under the particular Credit Facility to the extent of the amount of the excess.

GENERAL:

Time is of the essence.

The terms and conditions of this Offering Letter between the Bank and each Loan Party are confidential and shall be treated accordingly.

Each Loan Party shall do all things and execute all documents deemed necessary or appropriate by the Bank for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

When a conflict or inconsistency exists between the Security and this Offering Letter, this Offering Letter shall govern to the extent necessary to remove such conflict or inconsistency. Notwithstanding the foregoing, if there is any right or remedy of the Bank set out in any of the Security or any part of which is not set out or provided for in this Offering Letter, such additional right shall not constitute a conflict or inconsistency.

ACCOUNT DEBITS:

Each Loan Party hereby irrevocably authorizes the Bank to debit periodically or from time to time, any bank account it may maintain at the Bank in order to pay all or part of the amounts any Loan Party may owe to the Bank hereunder.

**PERSONAL PROPERTY
SECURITY ACT (ALBERTA)
REQUIREMENTS:**

Each Loan Party hereby waives the requirement for the Bank to provide copies of Personal Property Security Act (Alberta) (collectively with the equivalent legislation in other jurisdictions, the "PPSA") registrations, verification statements, or financing statements undertaken by the Bank.

Each Loan Party hereby agrees to provide to the Bank written notice of a change in its name or address immediately.

ASSIGNMENT:

No rights or obligations of any Loan Party hereunder and no amount of the Credit Facilities may be transferred or assigned by any Loan Party, any such transfer or assignment being null and void insofar as the Bank is concerned and rendering any balance then outstanding of the loan immediately due and payable at the option of the Bank and releasing the Bank from any and all obligations of making any further advances hereunder.

DEMAND:

Notwithstanding any of the terms of this Offering Letter, all obligations of any Loan Party hereunder are repayable to the Bank at any time upon its demand.

ADJUSTMENTS:

Notwithstanding any maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee quoted herein, the Bank shall have the right to adjust such maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation,

Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee, at the Bank's sole discretion.

NO OBLIGATION:

Upon the Bank's demand for repayment or upon the occurrence of a Default or an Event of Default, the Bank shall have no obligation or liability to make further advances under the Credit Facilities.

ACCESS TO INFORMATION:

Each Loan Party hereby authorizes the Bank to use the necessary information pertaining to it which the Bank has or may have for the purpose of granting credit and insurance products (where permitted by law) and further authorize(s) the Bank to disclose such information to its affiliates and subsidiaries for this same purpose. Moreover, it hereby authorizes the Bank to obtain personal information pertaining to it from any party likely to have such information (credit or information bureau, financial institution, creditor, employer, tax authority, public entity, Persons with whom they might have business relations, and affiliates or Bank subsidiaries) in order to verify the accuracy of all information provided to the Bank and to ensure the solvency of each Loan Party at all times.

ANTI-MONEY LAUNDERING LEGISLATION:

Each Loan Party 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 Bank may be required to obtain, verify and record information regarding any Loan Party, its directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Loan Party, and the transactions contemplated hereby. Each Loan Party shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by the Bank, or any prospective assign or participant of the Bank, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

NOTICE:

Notices to be given under this Offering Letter, the Security or any other document in respect thereto any of Loan Party or the Bank shall, except as otherwise specifically provided, be in writing addressed to the party for whom it is intended. Notices shall be given by personal delivery or transmitted by facsimile and shall be deemed to be received on the Business Day of receipt (unless such delivery or transmission is received after 1:00 p.m. Mountain Time, in which case it shall be deemed to have been received on the following Business Day) unless the law deems a particular notice to be received earlier. The address for each Loan Party shall be the addresses currently recorded on the records of the Bank for such Loan Party, or such other mailing or facsimile addresses as such Loan Party may from time to time may notify the Bank as aforesaid. The address for the Bank shall be the Calgary Branch of the Bank or such other mailing or facsimile addresses as the Bank may from time to time may notify the Borrower as aforesaid.

AUTHORIZATION REGARDING INSTRUCTIONS SENT ELECTRONICALLY:

Each Loan Party authorizes the Bank to do all things as authorized by such Loan Party even if such authorization is sent by fax or by e-mail and the Bank may deem such authorization valid and sufficient and the aforementioned presumption of accuracy shall apply to the authorization, whether it is required for transmitting information, a debit, issuing drafts or certified cheques or for any other purpose. Moreover, the Bank will not be held liable for any fees or delays which may be caused when an instruction is sent whether due to a technical problem attributable to the systems in use at the Bank or otherwise.

PAYMENTS:

Unless otherwise indicated herein, the obligation of each Loan Party to make all payments under this Offering Letter and the Security shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:

1. Any set-off, compensation, counterclaim, recoupment, defence or other right which such Loan Party may have against the Bank of anyone else for any reason whatsoever; or
2. Any insolvency, bankruptcy, reorganization or similar proceedings by or against such Loan Party.

All payments to be made under this Offering Letter shall be made in Canadian Dollars.

All payments made under this Offering Letter shall be made on or prior to 1:00 p.m. Mountain Time on the day such payment is due. Any payment received after 1:00 p.m. Mountain Time shall be deemed to have been received on the following day. Whenever a payment is due on a day which is not a Business Day, such due day shall be extended to the next Business Day and such extension of time shall be included in the computation of any interest payable.

SET-OFF:

The Bank shall have the right to set-off and apply any funds of any Loan Party deposited with or held by the Bank from time to time, and any other indebtedness owing to any Loan Party by the Bank, against any of the amounts outstanding under this Offering Letter from time to time.

JUDGMENT CURRENCY:

If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this Offering Letter it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgment Currency, then such conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, rate of exchange means the rate at which the Bank would, on the relevant day, be prepared to sell a similar amount of such currency against the Judgment Currency.

**RIGHTS AND REMEDIES
CUMULATIVE:**

The rights, remedies and powers of the Bank under this Offering Letter, the Security, at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank, and no delay or omission in exercise of any such right, remedy or power shall exhaust such rights, remedies and powers to be construed as a waiver of any of them.

**WAIVERS AND
AMENDMENTS:**

No term, provision or condition of this Offering Letter or any of the Security, may be waived, varied or amended unless in writing and signed by a duly authorized officer of the Bank.

**INTEREST ACT
(CANADA):**

Any interest rate set forth in this Offering Letter based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such interest rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based. The Borrower hereby waives, to the fullest extent it may do so under law, any provisions of law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

GAAP / IFRS:

All financial statements required to be furnished by the Borrower to the Bank hereunder shall be prepared in accordance with GAAP. Each accounting term used in this Offering Letter, unless otherwise defined herein, has the meaning assigned to it under GAAP and, except as otherwise provided herein, reference to any balance sheet item, statement of income item or statement of cash flows item means such item as computed from the applicable financial statement prepared in accordance with GAAP. If there occurs a change in GAAP (an "Accounting Change"), including as a result of a conversion to International Financial Reporting Standards ("IFRS"), and such change would result in a change (other than an immaterial change) in the calculation of any financial covenant, standard or term used hereunder, then at the request of the Borrower or the Bank, the Borrower and the Bank shall enter into negotiations to amend such provisions so as to reflect such Accounting Change with the result that the criteria for evaluating the financial condition of the Borrower or any other party, as applicable, shall be the same after such Accounting Change, as if such Accounting Change had not occurred. If, however, within 30 days of the foregoing request by the Borrower or the Bank, the Borrower and the Bank have not reached agreement on such amendment, the method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change.

GOVERNING LAW:

This Offering Letter shall be construed and governed in accordance with the laws of the Province of Alberta. Each Loan Party irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta and all courts competent to hear appeals therefrom.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Offering Letter as a "Review"). The next Review is scheduled on or before January 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

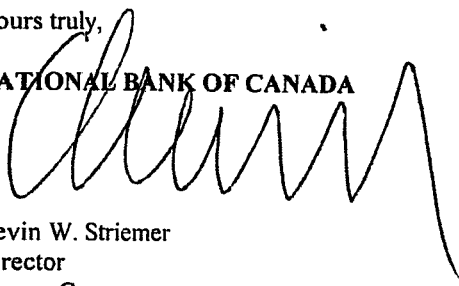
This Offering Letter is open for acceptance until September 12, 2011 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Offering Letter and return one copy to the Bank by the Expiry Date. This Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Offering Letter shall be deemed to be valid execution and delivery of this Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


Kevin W. Striemer
Director
Energy Group


For John W. Swendsen
Vice President & Managing Director
Energy Group

//y
Enclosure
P:\Data\CLIENTS\Prospects\p-1\Palliser Oil & Gas Corporation\Credit\2011\Commitment 0911.DOC

AGREED AND ACCEPTED this 8th day of September, 2011.

PALLISER OIL & GAS CORPORATION

Per:  _____

Per:  _____

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director: Telephone: Facsimile: E-mail:	Mr. Kevin Striemer (403) 294-4958 (403) 294-3078 kevin.striemer@nbcenergy.com
		Associate: Telephone: Facsimile: E-mail:	Mr. Robert Chorley (403) 294-4920 (403) 294-3078 robert.chorley@nbcenergy.com
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbcenergy.com
<u>BRANCH:</u>	Calgary Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 294-4993 kholland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – FX Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4993 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4993 energy@nbcenergy.com

APPENDIX B

COMPLIANCE CERTIFICATE

To: National Bank of Canada
530 – 8th Ave SW, Suite 2700
Calgary, AB

I _____, of the City of _____, in the Province of _____, hereby certify as at the date of this Certificate as follows:

1. I am the _____ of _____ (the "Borrower") and I am authorized to provide this Certificate to you for and on behalf of the Borrower;
2. This Certificate applies to the fiscal quarter ended _____, _____;
3. I am familiar with and have examined the provisions of the Offering Letter dated _____, _____ between the Borrower and National Bank of Canada and I have made such investigations of corporate records and inquiries of other officers and senior personnel of each Loan Party as I have deemed reasonably necessary for purposes of the Certificate;
4. As of the date hereof, the Borrower confirms that all of its subsidiaries (if any) are Loan Parties.
5. The representations and warranties set forth in the Offering Letter are in all material respects true and correct on the date hereof;
6. No Default or Event of Default has occurred and is continuing of which we are aware;
7. As required, I have calculated the Adjusted Working Capital Ratio for the fiscal quarter ended as follows:
_____ : 1.00; and
8. All relevant calculations and financial statements are attached.

Except where the context otherwise requires, all capitalized terms used herein have the same meanings as given thereto in the Offering Letter.

This Certificate is given by the undersigned officer in their capacity as an officer of the Borrower without any personal liability on the part of such officer.

Executed at the City of _____, in the Province of _____ this _____ day of _____, 20__.

Yours truly,

PALLISER OIL & GAS CORPORATION

Per: _____
Name:
Title:

PALLISER OIL & GAS CORPORATION

COMPLIANCE CERTIFICATE

Calculation of Adjusted Working Capital Ratio

Current Assets

Current assets	\$ 4,279
Less: Unrealized Hedging Gains	(0)
Add: Undrawn Availability under Credit Facility A	6,875
	<u>\$ 11,154 (A)</u>

Current Liabilities

Current liabilities	\$ 16,638
Less: Unrealized Hedging Losses	(0)
Less: Current Portion of Bank Debt	(11,125)
	<u>\$ 5,513 (B)</u>

Adjusted Working Capital Ratio calculated as follows:

$$\frac{A}{B} = 2.02$$

APPENDIX C

DEFINITIONS

In the Offering Letter, including all Appendices to the Offering Letter, and in all notices given pursuant to the Offering Letter, unless something in the subject matter or context is inconsistent therewith, capitalized words and phrases shall have the meanings given to them in the Offering Letter in their proper context, and capitalized words and phrases not otherwise defined in the Offering Letter shall have the following meanings:

"**Adjusted Working Capital Ratio**" means the ratio of (i) Current Assets plus undrawn Availability under Credit Facility A to (ii) Current Liabilities.

"**Advance**" means an advance of funds made by the Bank under a Credit Facility to the Borrower, or if the context so requires, an advance of funds under one or more of the Credit Facilities or under one or more of the availability options of one or more of the Credit Facilities, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding Prime Rate Loans and Base Rate Loans, plus the Face Amount of all outstanding BAs and the stated amount of all L/C/Gs as applicable.

"**Appendix**" means an appendix to the Offering Letter.

"**Applicable Margin**" means, at any time, a margin, expressed as a rate per annum based on a 365 or 366 day period, as the case may be, for Prime Rate Loans, Base Rate Loans and payment of Standby Fees and L/C/G Fees, or based on a 365 day period in the case of Stamping Fees, and in any case payable to the Bank, as set out in the Pricing Grid for Facility A under the then Net Debt to Cash Flow Ratio applicable to the type of Advance.

"**Availability**" has the meaning ascribed to such term under the section heading "Availability", with respect to the applicable Credit Facility.

"**bps**" means one one-hundredth of one percent.

"**Business Day**" means a day on which banks are open for business in Calgary, Alberta, Montreal, Quebec and Toronto, Ontario; but does not, in any event, include a Saturday or Sunday.

"**Calgary Branch of the Bank**" means the branch of the Bank at 301 – 6 Avenue SW, Calgary, AB T2P 4M9, fax (403) 294-4965, or such other address as the Bank may notify the Borrower from time to time.

"**Canadian Dollars**", "**Cdn Dollars**", "**Cdn\$**", "**CAS**" and "**\$**" mean the lawful money of Canada.

"**Capital Lease**" means, with respect to any Person, any lease or other arrangement relating to real or personal property which should, in accordance with GAAP, be accounted for as a capital lease on a balance sheet of such Person but excluding any lease that would in accordance with GAAP be determined to be an operating lease.

"**Cash Flow**" means, at any time, the annualized cash flow of the Borrower on a consolidated basis for the most recent fiscal quarter as determined from its quarterly financial statements for that fiscal quarter, which for certainty means an annualized aggregate amount expressed in Canadian Dollars of the sum, without duplication, of its:

- (a) net earnings (but excluding from the determination of net earnings, non-cash income, unrealized mark to market gains, Capital Lease payments, any abandonment costs paid in cash, cash taxes and any extraordinary or nonrecurring earnings, gains, and losses);
- (b) depletion, depreciation, accretion and amortization;
- (c) exploration and evaluation expenses to the extent deducted from Net Income;
- (d) future income taxes; and
- (e) other charges to operations not requiring a current cash payment,

it being acknowledged that such annualized cash flow shall be adjusted for such other amounts as reasonably requested by the Bank during such fiscal quarter.

"Change of Control" means the occurrence of any of the following events, with respect to any Loan Party:

- (a) any Person or Persons acting jointly or in concert (within the meaning of the Securities Act (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or has the right to acquire or control or exercise direction over (whether such right is exercisable immediately or only after the passage of time) more than 20% of the issued and outstanding Voting Shares of such Loan Party; or
- (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of such Loan Party cease, for any reason, to constitute at least a majority of the board of directors of such Loan Party unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the "Incumbent Directors") and in particular, any new director who assumes office in connection with or as a result of any actual or threatened proxy or other election contest of the board of directors of the Borrower shall never be an Incumbent Director; or
- (c) such Loan Party ceases to own, control or direct 100% of the Voting Shares of a subsidiary.

"Compliance Certificate" means a certificate of an officer of the Borrower signed on its behalf by the president, chief executive officer, chief operating officer, chief financial officer or any vice president of the Borrower, substantially in the form annexed hereto as Appendix B, to be given to the Bank by the Borrower from time to time pursuant to the Offering Letter.

"Credit Facilities" means the credit facility(ies) (and the risk management facility) to be made available to the Borrower by the Bank in accordance with the provisions of the Offering Letter.

"Current Assets" means, as at any date of determination, the current assets of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding the impact of any Unrealized Hedging Gains.

"Current Liabilities" means, as at any date of determination, the current liabilities of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding: (i) Current Portion of Bank Debt; and (ii) the impact of any Unrealized Hedging Losses.

"Current Portion of Bank Debt" means any current liabilities under the Credit Facilities other than those that arise due to total advances under a Credit Facility exceeding the maximum amount of such Credit Facility, whether by reduction of maximum amount, fluctuations in exchange rates, or due to mandatory repayments, or due to the occurrence of a Default or an Event of Default, or due to the Bank's demand for repayment.

"Debt" means, as at any date of determination, all obligations, liabilities and indebtedness of the Borrower which would, in accordance with generally accepted accounting principles, be classified upon a consolidated balance sheet of the Borrower for such date as indebtedness for borrowed money and, without limiting the generality of the foregoing, whether or not so classified, shall include (without duplication):

- (a) obligations under BAs;
- (b) issued and drawn L/C/Gs;
- (c) obligations under guarantees, indemnities, or such other agreements providing financial assistance;
- (d) Capital Leases or sales/lease-backs;
- (e) obligations under deferred purchase price agreements;
- (f) deferred revenues relating to third party obligations;
- (g) the redemption amount of any capital where the holder of such capital has the option to require the redemption of such capital for cash or property and payment of the redemption amounts;
- (h) any distributions declared but not yet paid; and
- (i) all mark to market losses under any Financial Instruments that are due and owing.

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

"Face Amount" means (i) in respect of a BA, the amount payable to the holder thereof on its maturity, and (ii) in respect of a L/C/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C/G.

"Federal Funds Effective Rate" means, on any day, the rate of interest per annum for that day set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (the "H.15(519)") opposite the caption "Federal Funds (Effective)" and, if on any day such rate is not yet published in H. 15(519), the rate for such day will be the rate set forth in the Composite 3:30 p.m. Quotations for US Government Securities, or any successor publication, for such day published by the Federal Reserve Board (the "Composite 3:30 p.m. Quotations") under the caption "Federal Funds Effective Rate"; provided that if such rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, such rate will be the average of the interest rates per annum quoted for such day on overnight Federal funds (such words to have the meaning generally given to them by money market brokers of recognized standing doing business in the United States of America) transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank;

"Financial Instrument" means any currency swap agreement, cross-currency agreement, interest swap agreement, agreement for the making or taking of delivery of any commodity, commodity swap agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar risk management agreement or arrangement, or any combination thereof, to be entered into by the Borrower where (i) the subject matter of the same is interest rates or the price, value or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt) (ii) the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates as in effect from time to time, or (iii) the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles consistently applied which are in effect from time to time, as published in the Handbook of the Canadian Institute of Chartered Accountants and other primary sources recognized from time to time by the Canadian Institute of Chartered Accountants.

"ISDA Master Agreement" means an International Swap and Derivatives Association, Inc. Master Agreement (Multi Currency - Cross-Border) as from time to time amended, restated or replaced by the International Swap and Derivatives Association, Inc., including the schedule thereto and any confirmation thereunder as entered into by the Borrower with any counterparty thereto.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition, operations, assets or capitalization of the Borrower on a consolidated basis and taken as a whole;
- (b) the ability of any Loan Party to pay or perform the obligations under this Offering Letter or the ability of any Loan Party to pay or perform any of its obligations or contingent obligations under any Security or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (c) the ability of any Loan Party to perform its obligations under any material contract, if it would also have a material adverse effect on the ability of such Loan Party to pay or perform its obligations under this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (d) the validity or enforceability of this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security; and

- (e) the priority ranking of any security interests granted by this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security, or the rights or remedies intended or purported to be granted to the Bank under or pursuant to this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security.

"Net Debt" means at any time, on a consolidated basis, the aggregate amount (without duplication) expressed in Canadian Dollars of (a) Working Capital Deficit plus (b) Debt .

"Net Debt to Cash Flow Ratio" means at any time, the ratio of (i) Net Debt to (ii) Cash Flow.

"Offering Letter" means the offering letter to which this appendix is appended, and any appendices thereto, as amended, supplemented, modified, restated or replaced from time to time.

"Permitted Contest" means action taken by a Loan Party in good faith by the appropriate proceedings diligently pursued to contest a tax, claim or security interest, provided that:

- (a) such Loan Party has established reasonable reserves therefor in accordance with GAAP;
- (b) proceeding with such contest does not have, and would 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 property, assets or undertaking of any Loan Party.

"Permitted Encumbrance" means at any particular time any of the following encumbrances on the property or any part of the property of any Loan Party:

- (a) liens for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (b) liens under or pursuant to any judgment rendered, or claim filed, against a Loan Party, which such Loan Party shall be contesting at the time by a Permitted Contest;
- (c) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law against any Loan Party or which relate to obligations not due or delinquent, or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (d) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil and other pipelines, gas and water mains, electric light and power and telecommunication, telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which individually or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of any Loan Party;
- (e) security given by any Loan Party 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 such Loan Party, 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 any Loan Party;
- (f) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (g) security interests in favour of the Bank securing the obligations of any Loan Party under the Offering Letter or the Security;

- (h) the Security;
- (i) liens incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or operation of petroleum or natural gas interests, related production or processing facilities in which such Person has an interest or the transmission of petroleum or natural gas as security in favour of any other Person conducting the exploration, development, operation or transmission 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 that such costs or expenses are not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (j) liens for penalties arising under non-participation or independent operations provisions of operating or similar agreements in respect of any Loan Party's petroleum or natural gas interests, provided that such liens do not materially detract from the value of any material part of the property of any Loan Party;
- (k) 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 petroleum or natural gas interests of any Loan Party;
- (l) any encumbrance or agreement entered into in the ordinary course of business relating to pooling or a plan of unitization affecting the property of any Loan Party, or any part thereof;
- (m) the right reserved or vested in any municipality or governmental or other public authority by the terms of any petroleum or natural gas leases or similar agreements in which any Loan Party has any interest or by any statutory provision to terminate petroleum or natural gas leases or similar agreements in which any Loan Party has any interest, or to require annual or other periodic payments as a condition of the continuance thereof;
- (n) obligations of any Loan Party to deliver petroleum, natural gas, chemicals, minerals or other products to buyers thereof in the ordinary course of business; and
- (o) royalties, net profits and other interests and obligations arising in accordance with standard industry practice and in the ordinary course of business, under petroleum or natural gas leases or similar agreements in which any Loan Party has any interest.

"Person" or "person" means and includes an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

"Prime Rate" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in Canadian Dollars made by the Bank in Canada; and
- (b) the average annual rate (rounded upwards, if necessary, to 0.01%) as determined by the Bank as being the average of the "BA 1 month" CDOR Rate applicable to bankers' acceptances in Canadian Dollars displayed and identified as such on the "Reuters Screen CDOR Page" (as defined in the International Swap and Derivatives Association, Inc. definitions, as modified and amended from time to time) plus 1.00%; provided that if such rates do not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic average of the 30-day discount rates applicable to bankers' acceptances in Canadian Dollars quoted by three major Canadian Schedule I chartered banks chosen by the Bank as of approximately 10:00 a.m. on such day, or if such day is not a Business Day, then on the immediately preceding Business Day.

"Retractable Preferred Shares" means preferred shares of the Borrower which are retractable at the option of the holder.

"**Stamping Fee**" means, at any time, a margin, expressed as a rate per annum based on a 365 day period, charged by the Bank for accepting and stamping BAs.

"**Unrealized Hedging Gains**" means mark to market unrealized gains in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"**Unrealized Hedging Losses**" means mark to market unrealized losses in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"**U.S. Base Rate**" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in U.S.\$ made by the Bank in Canada; and
- (b) the Federal Funds Effective Rate in effect from time to time multiplied by 365/366, plus a margin on one half (1/2) of one (1) percent (0.50%).

"**U.S. Dollar**" and the symbol "U.S.\$" each means lawful money of the United States of America in same day immediately available funds and, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due.

"**Voting Shares**" means:

- (a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

provided that subparagraph (ii) above shall not include voting rights created solely by statute, such as those rights created pursuant to section 183(4) of the Business Corporations Act (Alberta) as in effect on the date of the Offering Letter;

- (b) in respect of a trust, trust units of the trust:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;
- (c) in respect of a partnership, the partnership interests or partnership units:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and is continuing.

"**Working Capital Deficit**" means Current Liabilities minus Current Assets.

FEB 03 2012

Writer's Direct Line
(403) 294-4958

February 2, 2012

BY COURIERPalliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5**ATTENTION: Mr. Kevin Gibson
President & CEO****Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated September 2, 2011, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").**LENDER: NATIONAL BANK OF CANADA (the "Bank").****CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").****MAXIMUM AMOUNT: \$28,000,000.****PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures and to pay out existing Advances on the Credit Facility B.****CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").****MAXIMUM AMOUNT: \$10,000,000.****REPAYMENT: Subject to Availability, Review, and the Bank's right of demand, monthly principal repayments over the half-life of the reserves being financed, as determined by the Bank. Repayment to commence the month following drawdown.**

FOR ALL CREDIT FACILITIES

INTERPRETATION:

In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES:

\$30,000 payable upon provision of this Amending Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated February 2, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. A Revolving Demand Credit Agreement in the face amount of \$28,000,000 duly executed and delivered to the Bank by the Borrower.
2. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
3. All fees due and payable to the Bank shall have been paid.
4. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before May 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

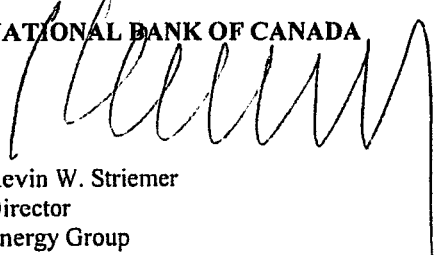
This Amending Offering Letter is open for acceptance until February 10, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


Kevin W. Striemer
Director
Energy Group


for John W. Swendsen
Vice President & Managing Director
Energy Group

/gm
Enclosure
P:\Data\CLIENTS\X2B - Striemer K\Palliser Oil & Gas Corporation\Credit\2012\Commitment Amend 0212.docx

AGREED AND ACCEPTED this 2 day of Feb., 2012.

PALLISER OIL & GAS CORPORATION

Per: 

Per: 

APPENDIX A

CREDIT:

Energy Group
National Bank of Canada
450 – 1 Street SW, Suite 2801
Calgary, AB T2P 5H1

Director:
Telephone:
Facsimile:
E-mail:

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kevin.striemer@nbcenergy.com

Associate:
Telephone:
Facsimile:
E-mail:

Ms. Audrey Ng
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(403) 294-3078
audrey.ng@nbcenergy.com

ADMINISTRATION:

BA Administration; Current
Account Documents; L/C/Gs;
MasterCard; Loan/Account
Balances; CAD/USD Money
Orders/Bank Drafts; Bank
Confirmations; Investments;
General Inquiries

Account Representative:
Telephone:
Facsimile:
E-mail:

Ms. Gerry McLean
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National Bank of Canada
301 – 6 Avenue SW
Calgary, AB T2P 4M9

Telephone:
Facsimile:

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(403) 294-4965

Calgary MacLeod Trail Branch
National Bank of Canada
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South
Calgary, AB T2H 0L8

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(403) 592-8515
(403) 265-0831

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Manager,
Global Cash Management:
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Facsimile:
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Foreign Exchange & Interest
Rates
National Bank of Canada
311 – 6 Avenue SW, 6th Floor
Calgary, AB T2P 3H2

Director, Risk
Management Solutions:
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Mr. George Androulidakis
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energy@nbcenergy.com



**NATIONAL
BANK**

Writer's Direct Line
(403) 294-4958

May 15, 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and condition set out herein. This Offering Letter contains all the terms and conditions pertaining to the availability of Credit Facilities from National Bank of Canada and as a result it amends, incorporates, and restates the terms and conditions of all existing and new commitments.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$28,000,000.

PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures.

AVAILABILITY: Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$100,000.
Bankers' acceptances ("BAs") in Canadian dollars.
Letters of credit and/or letters of guarantee ("L/C/Gs") (maximum term one year). The aggregate Face Amount of L/C/Gs issued and outstanding at any time limited to \$1,500,000 in any currency acceptable to the Bank.

REPAYMENT: Interest only but always subject to Availability, Review, and the Bank's right of demand.

INTEREST RATE:

Prime Rate Loans

The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility A at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one percent (Prime Rate + 1.00% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

Canadian Dollar BAs

Subject to market availability, in multiples of \$100,000 and minimum draws of \$1,000,000, BAs at a Stamping Fee of two and one-quarter percent per annum (2.25% p.a.) and calculated on the basis of the number of days elapsed in a 365 day year, payable at time of acceptance by the Bank. BAs shall have a minimum term of 30 days and maximum term of 90 days, and shall not include any days of grace. The BAs shall remain in effect until the maturity of the term selected. If the Bank does not receive written instructions from the Borrower concerning renewal of the BAs, then Prime Rate Loans shall be automatically utilized until written instructions are received from the Borrower.

STANDBY FEE:

One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility A (the "Standby Fee"), payable monthly on the first Business Day of each month.

L/C/G FEE:

One and one-half percent per annum (1.50% p.a.), based on a 365 or 366 day period, as the case may be, of the issue amount, payable at issue (the "L/C/G Fee"). This non-refundable, upfront fee is to be based on the number of months the L/C/G is to be outstanding with any portion of 31 days to be considered a complete month.

**DRAWDOWN,
NOTIFICATION,
AND CONVERSION:**

All Advances under Credit Facility A may only be drawn on a day that is a Business Day.

Prime Rate Loans

As required.

Canadian Dollar BAs

The Borrower shall provide two Business Days written notice to the Bank for Advances of BAs, notice to be received no later than 9:00 a.m. Mountain Time. The Borrower shall also provide two Business Days written notice for conversion of BAs at maturity to Prime Rate Loans.

EVIDENCE OF DEBT:

Revolving Demand Credit Agreement, Power of Attorney Form and Acknowledgement for Bankers' Acceptances, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

PURPOSE: Credit Facility B shall only be used by the Borrower to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.

AVAILABILITY: Prime Rate loans ("Prime Rate Loans") in Canadian dollars, available by way of multiple draws subject to prior engineering review by the Bank utilizing the Bank's normal lending parameters accorded to the proved producing petroleum and natural gas reserves being acquired and/or evidence of capital expenditures on approved development of proved non-producing/undeveloped reserves.

REPAYMENT: Subject to Availability, Review, and the Bank's right of demand, monthly principal repayments over the half-life of the reserves being financed, as determined by the Bank. Repayment to commence the month following drawdown.

INTEREST RATE: The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility B at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one and one-half percent (Prime Rate + 1.50% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

CREDIT FACILITY FEE: One-half percent (0.50%) on the amount of each Advance drawn on the Credit Facility B, due and payable at the commitment for such Advance. Non-refundable.

STANDBY FEE: One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility B (the "Standby Fee"), payable monthly on the first Business Day of each month.

CONDITIONS PRECEDENT TO FUNDING: In addition to all other Conditions Precedent set out in this Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:

1. Copy of the executed purchase and sale agreement and any related conveyance, as applicable;
2. Variable Rate Demand Promissory Note in the face amount to be drawn;
3. Engineering report of the petroleum reserves to be purchased or developed;
4. Satisfactory evidence of title to petroleum and natural gas properties subject to the Security;
5. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable; and
6. Corporate projections of balance sheet and income statement for the contemplated acquisition, as applicable.

EVIDENCE OF DEBT: Variable Rate Demand Promissory Note and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY C: **MASTERCARD FACILITY** (the "Credit Facility C").

MAXIMUM AMOUNT: \$50,000.

PURPOSE: Credit Facility C shall only be used by the Borrower to facilitate travel, entertainment, and supplier expenses for company officers.

REPAYMENT: Payment in full, monthly.

INTEREST RATE: Standard rates as established from time to time by MasterCard.

EVIDENCE OF DEBT: MasterCard monthly statements and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

RISK MANAGEMENT FACILITY (the "Risk Management Facility")

PURPOSE: Risk Management Facility shall be used by the Borrower for Financial Instruments.

AVAILABILITY: Various Financial Instruments. Maximum term 26 months. Subject to Bank availability and including a cross default limit of \$250,000.

SETTLEMENT: Settlement as per contract maturities.

EVIDENCE OF USAGE: Executed treasury contracts, executed ISDA Master Agreement with appropriate annexes, other documentation acceptable to the Bank, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

FOR ALL CREDIT FACILITIES

DEFINITIONS: In this Offering Letter, including the Appendices hereto and in all notices given pursuant to this Offering Letter, capitalized words and phrases shall have the meanings given to them in this Offering Letter in their proper context, and words and phrases not otherwise defined in this Offering Letter but defined in Appendix C to this Offering Letter shall have the meanings given to them in Appendix C to this Offering Letter.

INTERPRETATION: In this Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES: \$76,000 due and payable upon provision of this Offering Letter. Non-refundable.

This fee includes the Bank's engineering expenses incurred for this Review.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

Held:

1. Accepted Offering Letter dated September 2, 2011.
2. Accepted Amending Offering Letter dated February 2, 2012.
3. General Assignment of Book Debts.
4. \$75,000,000 Debenture with a floating charge over all assets of the Borrower with a negative pledge and undertaking to provide fixed charges on the Borrower's producing petroleum and natural gas properties at the request of the Bank, and pledge of such Debenture.
5. Evidence of insurance coverage in accordance with industry standards designating the Bank as first loss payee in respect of the proceeds of the insurance.
6. Appropriate title representation (Officer's Certificate as to Title) including a schedule of major producing petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (Working Interest or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances, and overrides); (or, at the request of the Bank, title opinion satisfactory to the Bank and its counsel).
7. Assignment of revenues and monies under material contracts, as applicable.
8. Legal Opinion of the Bank's counsel.

The Security has been registered in the Provinces of Alberta and Saskatchewan, in a first priority position, subject only to Permitted Encumbrances.

To Be Obtained:

1. Accepted Offering Letter dated May 15, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**REPRESENTATIONS
AND WARRANTIES:**

Each Loan Party represents and warrants to the Bank (all of which representations and warranties each Loan Party hereby acknowledges are being relied upon by the Bank in entering into this Offering Letter) that:

1. Each Loan Party has been duly incorporated or formed, as applicable, and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property.
2. This Offering Letter constitutes, and the Security and related agreements shall constitute, legal, valid, and binding obligations of each Loan Party party thereto, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies.
3. Each Loan Party has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Offering Letter.
4. Each Loan Party is presently in good standing under, and shall duly perform and observe, all material terms of all documents, agreements, and instruments affecting or relating to the petroleum assets of such Loan Party.
5. There has been no adverse material change in the financial position of any Loan Party since the date of its most recent consolidated financial statements dated December 31, 2011, which were furnished to the Bank. Such consolidated financial statements fairly present the financial position of each Loan Party at the date that they were drawn up. No Loan Party foresees incurring any major liability which it has not already disclosed to the Bank.
6. No Loan Party is involved in any dispute or legal or regulatory proceedings likely to materially affect its financial position or its capacity to operate its business.
7. No Loan Party is in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including, without limitation, all Environmental Requirements subsequently stated in Environmental Obligations.
8. The Borrower has no subsidiaries.
9. The chief executive office (for the purposes of the PPSA) of each Loan Party is located in Alberta.
10. Each Loan Party has all the requisite power, authority and capacity to execute and deliver this Offering Letter and the Security (to which it is a party) and to perform its obligations hereunder and thereunder.
11. The execution and delivery of this Offering Letter and the Security (to which it is a party) and the performance of the terms of this Offering Letter and such Security do not violate the provisions of any Loan Party's constating documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it.
12. The execution, delivery and performance of the terms of this Offering Letter and the Security (to which it is a party) will not constitute a breach of any agreement to which any Loan Party or its property, assets or undertaking are bound or affected.

13. No Loan Party has incurred any indebtedness or obligations for borrowed money (other than as contemplated hereby or payables incurred in the ordinary course of business or as previously disclosed in writing to the Bank) and has not granted any security ranking equal with or in priority to the Security (other than Permitted Encumbrances).

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Offering Letter shall survive the execution of this Offering Letter and all Security, and shall be deemed to be repeated as of the date of each Advance and as of the date of delivery of each Compliance Certificate, subject to modifications made by the Borrower to the Bank in writing and accepted by the Bank. The Bank shall be deemed to have relied upon such representations and warranties at each such time as a condition of making an Advance hereunder or continuing to extend the Credit Facilities hereunder.

**CONDITIONS
PRECEDENT:**

Prior to any drawdown under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. All fees due and payable to the Bank shall have been paid.
3. No Default or Event of Default shall exist.
4. No Material Adverse Effect has occurred with respect to any Loan Party or the Security.
5. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

**REPORTING
REQUIREMENTS:**

The Borrower shall submit to the Bank:

1. Monthly production and revenue reports in form and substance satisfactory to the Bank within 60 calendar days of each month end;
2. Quarterly unaudited consolidated financial statements and Compliance Certificate within 60 calendar days of each fiscal quarter end for the first three fiscal quarters of each fiscal year;
3. Annual audited consolidated financial statements and Compliance Certificate within 120 calendar days of each fiscal year end;
4. Annual independent engineering report in form and substance satisfactory to the Bank on the petroleum and natural gas reserves of the Borrower within 120 calendar days of each fiscal year end, prepared by a firm acceptable to the Bank;

5. Annual consolidated budget for the following fiscal year, including production, cash flow and capital expenditures forecasts, within 120 days of each fiscal year end; and
6. Any other information the Bank may reasonably require from time to time.

**AFFIRMATIVE
COVENANTS:**

Each Loan Party shall (each of the below being an "Affirmative Covenant"):

1. Carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws.
2. Maintain its corporate existence and comply with all applicable laws.
3. Pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations.
4. Comply with all regulatory bodies and provisions regarding environmental procedures and controls.
5. Upon reasonable notice, allow the Bank access to its books and records, and take excerpts therefrom or make copies thereof, and to visit and inspect its assets and place(s) of business.
6. Maintain adequate and appropriate insurance on its assets including protection against public liability, blow-outs, and "all-risk" perils.
7. Inform the Bank of any event or action which would have a Material Adverse Effect on its operational or financial affairs, including but not limited to the sale of assets, guarantees, funded debt from other lenders, or alteration of type of business.
8. Keep and maintain books of account and other accounting records in accordance with GAAP.
9. Maintain an Adjusted Working Capital Ratio of not less than 1.00:1.00 at all times.
10. Pay all amounts due and payable hereunder and pursuant to the Security in accordance with the respective terms hereof and thereof.
11. As soon as practicable following receipt by such Loan Party of a request by the Bank to provide fixed charge security over the producing petroleum and natural gas properties of such Loan Party (and in any event not more than 5 Business Days following such request), furnish or cause to be furnished to the Bank, at the sole cost and expense of such Loan Party, fixed charge security over such producing and natural gas properties of such Loan Party as are specified by the Bank, in the form of a supplemental instrument to the Security.
12. Observe the terms of and perform its obligations under this Offering Letter and the Security, and under any other agreements now or hereafter made with the Bank.
13. Utilize the Advances only for the applicable purposes stipulated herein.

14. Notify the Bank, without delay, of (a) any litigation or proceeding in which it is a party if an adverse decision therein would require it to pay more than \$1,400,000 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (b) the institution of any other suit or proceeding involving it that might materially and adversely affect its property, assets or undertaking, or its operations, financial conditions or business.
15. Notify the Bank, without delay, of any Default or Event of Default.
16. Obtain and maintain the licenses and permits required to operate its business unless failure to obtain such licenses and permits could not reasonably be expected to result in a Material Adverse Effect.
17. Provide the Bank with any information or document that it may reasonably require from time to time.

**NEGATIVE
COVENANTS:**

No Loan Party shall, without the prior approval of the Bank (each of the below being a "Negative Covenant"):

1. Allow a Change of Control.
2. Merge, amalgamate, consolidate, or wind up its assets, unless (i) such merger, amalgamation, consolidation or winding up is with another Loan Party and (ii) it has notified the Bank, without delay, of such merger, amalgamation, consolidation or winding up.
3. Reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares, unless such distribution, dividends, redemptions, and repurchases do not impair the capacity of such Loan Party to fulfil its obligations with respect to the Credit Facilities, including the repayment of all Credit Facilities; notwithstanding the foregoing, no Loan Party shall reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares when a Default or an Event of Default has occurred and is continuing or shall reasonably be expected to occur as a result of reducing or distributing capital or paying dividends or redeeming or repurchasing common or preferred shares, as the case may be.
4. Incur further secured indebtedness, pledge or encumber assets, or guarantee the obligations of others.
5. Make loans or investments, except to or in another Loan Party.
6. Sell or dispose of any assets subject to the Bank's Security in the aggregate of greater than \$1,400,000 each calendar year. This shall include sale/leaseback transactions on facilities.
7. Hedge or contract crude oil, natural gas liquids, or natural gas, on a fixed price basis, exceeding 50% of actual production volumes.
8. Monetize or effect an early termination of any fixed price financial hedge or contract.
9. Make any material change in the nature of its business as carried on at the date hereof.
10. Utilize Advances to finance a hostile takeover.

11. Move its property, assets or undertaking outside the jurisdictions in which the Security is registered.
12. Move its chief executive office from Alberta.
13. Create, acquire or suffer to exist any subsidiary unless such subsidiary provides a guarantee and such other Security required by the Bank, in its sole discretion.
14. Experience a change in its executive management which, in the opinion of the Bank, acting in its sole discretion, has or may have a Material Adverse Effect.

**ENVIRONMENTAL
OBLIGATIONS:**

1. Each Loan Party shall comply with the requirements of all legislative and regulatory environmental provisions (the "Environmental Requirements") and shall at all times maintain the authorizations, permits, and certificates required under these provisions.
2. Each Loan Party shall immediately notify the Bank in the event a contaminant spill or emission occurs or is discovered with respect to its property, operations, or those of any neighbouring property. In addition, it shall report to the Bank forthwith any notice, order, decree, or fine that it may receive or be ordered to pay with respect to the Environmental Requirements relating to its business or property.
3. At the request of and in accordance with the conditions set forth by the Bank, each Loan Party shall, at its own cost, provide any information or document which the Bank may require with respect to its environmental situation, including any study or report prepared by a firm acceptable to the Bank. In the event that such studies or reports reveal that any Environmental Requirements are not being respected, the applicable Loan Party shall effect the necessary work to ensure that its business and property comply with the Environmental Requirements within a period acceptable to the Bank.
4. Each Loan Party undertakes to indemnify the Bank for any damage which the Bank may suffer or any liability which it may incur as a result of any non-compliance with the Environmental Requirements.
5. The provisions, undertakings, and indemnification set out in this section shall survive the satisfaction and release of the Security and payment and satisfaction of the indebtedness and liability of the Borrower to the Bank pursuant to the terms hereof.

EVENTS OF DEFAULT:

Notwithstanding that the Credit Facilities are on a demand basis, and without prejudice to the Bank's rights thereby, the following shall be considered events of default ("Events of Default"), upon the occurrence of which, or of a Default, the Bank may choose, in its sole discretion, to cancel all credit availability and to demand repayment of the Credit Facilities in full, together with outstanding accrued interest, fees and any other obligations of the Borrower to the Bank, and, without prejudice to the Bank's other rights and remedies, the Bank's Security shall become enforceable:

1. Immediately upon failure by any Loan Party to pay any instalment of principal, interest, fees, costs, incidental charges or any other amount payable hereunder or under any of the Security when due.
2. Any material representation or warranty contained in this Offering Letter, the Security, any certificate or any opinion delivered hereunder proves to be untrue.

3. Failure by any Loan Party to observe or comply with any Affirmative Covenant, Negative Covenant, Environmental Obligation, condition, or term as outlined herein, or in any Security document or underlying agreements delivered pursuant hereto (not otherwise specifically dealt with in this Events of Default Section).
4. In the opinion of the Bank, acting reasonably, a Material Adverse Effect in the financial condition of any Loan Party or to the operation of any Loan Party's assets has occurred.
5. If a petition is filed, an order is made or a resolution passed, or any other proceeding is taken for the winding up, dissolution, or liquidation of any Loan Party.
6. If proceedings are taken to enforce any encumbrance on the assets of any Loan Party having a value in the aggregate greater than \$1,400,000, excepting as long as such proceedings are being contested in good faith by such Loan Party and security satisfactory to the Bank has been provided to the Bank.
7. If any Loan Party ceases or threatens to cease to carry on its business, or if proceedings are commenced for the suspension of the business of any Loan Party, or if any proceedings are commenced under the Companies Creditors Arrangements Act (Canada) or under the Bankruptcy and Insolvency Act (Canada) (including filing a proposal or notice of intention) with respect to any Loan Party, or if any Loan Party commits or threatens to commit an act of bankruptcy, or if any Loan Party becomes insolvent or bankrupt or makes an authorized assignment pursuant to the Bankruptcy and Insolvency Act (Canada), or a bankruptcy petition is filed by or presented against any Loan Party.
8. If proceedings are commenced to appoint a receiver, receiver/manager, or trustee in respect of the assets of any Loan Party by a court or pursuant to any other agreement.
9. If any Loan Party is in default under the terms of any other contracts, agreements or writings with any other creditor having liens on the property of such Loan Party and such default could reasonably be expected to result in a Material Adverse Effect.
10. If the validity, enforceability or, where applicable, priority of this Offering Letter or any of the Security is prejudiced or endangered.
11. If an event of default under any of the Security occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any of the Security occurs.
12. If any event of default under any material agreement to which a Loan Party is a party occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any material agreement to which a Loan Party is a party occurs.
13. If the Bank in good faith believes and has commercially reasonable grounds to believe that the prospect of repayment of any Advance is or is about to be impaired or that the collateral secured by the Security is or is about to be placed in jeopardy.
14. If any Material Adverse Effect occurs.

**INTEREST ON
OVERDUE AMOUNTS:**

Notwithstanding any other provision of this Offering Letter, in the event that any amount due hereunder (including, without limitation, any interest payment) is not paid when due (whether by acceleration or otherwise), the Borrower shall and hereby agrees to pay to the Bank interest on such unpaid amount (including, without limitation, interest on interest), if and to the fullest extent permitted by applicable law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 10:00 a.m. at the place of payment on the date of such payment), and such interest shall accrue daily, be calculated and compounded on the last Business Day of each calendar month and be payable in the currency of the relevant Advance on demand, as well after as before maturity, default and judgment, at a rate per annum that is equal to: (i) the rate of interest then being charged on Prime Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in Canadian Dollars under such Credit Facility; and (ii) the rate of interest then being charged on Base Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in U.S. Dollars under such Credit Facility. The Borrower hereby waives, to the fullest extent it may do so under applicable law, any provisions of applicable law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

COSTS:

All reasonable third party expenses incurred by the Bank in connection with the Credit Facilities or this Offering Letter are for the account of the Borrower including, but not limited to, legal fees (on a solicitor and own client basis) and future engineering fees.

CHANGE OF LAWS:

Notwithstanding anything contained in this letter to the contrary, in the event that:

1. changes to any existing law or regulation or the introduction of any new law or regulation, or taxes other than income taxes, including, without limitation, a sales tax on loan transactions, or in the interpretation or administration thereof; or
2. compliance by the Bank with any request from or requirement of any central bank or other fiscal or monetary authority having jurisdiction over Canadian banks general (whether or not such request has the force of law);

cause the Bank to:

- a. incur any cost as a result of having entered into and/or performed its obligations hereunder and/or as a result of obligations or options remaining outstanding hereunder including, without limitation, any reserve or special deposit requirement or any payment on or calculated by reference to the amount of the Credit Facilities hereunder; or
- b. suffer a reduction in the rate of return on that part of its overall capital (not due to the rates of tax payable on their overall profits or net income) as a result of a requirement to attribute or allocate capital to the Credit Facilities or a Credit Facility provided hereunder in respect of that part of such Credit Facilities or Credit Facility which is for the time being undrawn as a result of a change in the manner in which the Bank is required to allocate resources to its obligations hereunder,

then the Bank reserves the right to increase the charges for the Credit Facilities or such Credit Facility provided hereunder by the amount of such additional cost of liability as determined by the Bank and the Borrower agrees that it will forthwith on demand pay to the Bank amounts sufficient to reimburse the Bank against such costs or liabilities.

CURRENT ACCOUNTS:

Each Loan Party shall maintain its current accounts at the Calgary Branch of the Bank through which it shall conduct all of its banking activities.

Regular Bank service charges shall apply in the day-to-day operations of each Loan Party's accounts.

**FOREIGN EXCHANGE
FLUCTUATIONS:**

If the amount of outstanding Advances under any Credit Facility is on any day, due to exchange rate fluctuations, in excess of the maximum amount with respect to such Credit Facility, the Borrower shall within five (5) Business Days after receiving notice thereof repay such excess or otherwise reduce a portion of such Advances under the particular Credit Facility to the extent of the amount of the excess.

GENERAL:

Time is of the essence.

The terms and conditions of this Offering Letter between the Bank and each Loan Party are confidential and shall be treated accordingly.

Each Loan Party shall do all things and execute all documents deemed necessary or appropriate by the Bank for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

When a conflict or inconsistency exists between the Security and this Offering Letter, this Offering Letter shall govern to the extent necessary to remove such conflict or inconsistency. Notwithstanding the foregoing, if there is any right or remedy of the Bank set out in any of the Security or any part of which is not set out or provided for in this Offering Letter, such additional right shall not constitute a conflict or inconsistency.

ACCOUNT DEBITS:

Each Loan Party hereby irrevocably authorizes the Bank to debit periodically or from time to time, any bank account it may maintain at the Bank in order to pay all or part of the amounts any Loan Party may owe to the Bank hereunder.

**PERSONAL PROPERTY
SECURITY ACT (ALBERTA)
REQUIREMENTS:**

Each Loan Party hereby waives the requirement for the Bank to provide copies of Personal Property Security Act (Alberta) (collectively with the equivalent legislation in other jurisdictions, the "PPSA") registrations, verification statements, or financing statements undertaken by the Bank.

Each Loan Party hereby agrees to provide to the Bank written notice of a change in its name or address immediately.

ASSIGNMENT:

No rights or obligations of any Loan Party hereunder and no amount of the Credit Facilities may be transferred or assigned by any Loan Party, any such transfer or assignment being null and void insofar as the Bank is concerned and rendering any balance then outstanding of the loan immediately due and payable at the option of the Bank and releasing the Bank from any and all obligations of making any further advances hereunder.

DEMAND:

Notwithstanding any of the terms of this Offering Letter, all obligations of any Loan Party hereunder are repayable to the Bank at any time upon its demand.

ADJUSTMENTS:

Notwithstanding any maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee quoted herein, the Bank shall have the right to adjust such maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee, at the Bank's sole discretion.

NO OBLIGATION:

Upon the Bank's demand for repayment or upon the occurrence of a Default or an Event of Default, the Bank shall have no obligation or liability to make further advances under the Credit Facilities.

ACCESS TO INFORMATION:

Each Loan Party hereby authorizes the Bank to use the necessary information pertaining to it which the Bank has or may have for the purpose of granting credit and insurance products (where permitted by law) and further authorize(s) the Bank to disclose such information to its affiliates and subsidiaries for this same purpose. Moreover, it hereby authorizes the Bank to obtain personal information pertaining to it from any party likely to have such information (credit or information bureau, financial institution, creditor, employer, tax authority, public entity, Persons with whom they might have business relations, and affiliates or Bank subsidiaries) in order to verify the accuracy of all information provided to the Bank and to ensure the solvency of each Loan Party at all times.

ANTI-MONEY LAUNDERING LEGISLATION:

Each Loan Party 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 Bank may be required to obtain, verify and record information regarding any Loan Party, its directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Loan Party, and the transactions contemplated hereby. Each Loan Party shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by the Bank, or any prospective assign or participant of the Bank, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

NOTICE:

Notices to be given under this Offering Letter, the Security or any other document in respect thereto any of Loan Party or the Bank shall, except as otherwise specifically provided, be in writing addressed to the party for whom it is intended. Notices shall be given by personal delivery or transmitted by facsimile and shall be deemed to be received on the Business Day of receipt (unless such delivery or transmission is received after 1:00 p.m. Mountain Time, in which case it shall be deemed to have been received on the following Business Day) unless the law deems a particular notice to be received earlier. The address for each Loan Party shall be the addresses currently recorded on the records of the Bank for such Loan Party, or such other mailing or facsimile addresses as such Loan Party may from to time may notify the Bank as aforesaid. The address for the Bank shall be the Calgary Branch of the Bank or such other mailing or facsimile addresses as the Bank may from to time may notify the Borrower as aforesaid.

AUTHORIZATION REGARDING INSTRUCTIONS SENT ELECTRONICALLY:

Each Loan Party authorizes the Bank to do all things as authorized by such Loan Party even if such authorization is sent by fax or by e-mail and the Bank may deem such authorization valid and sufficient and the aforementioned presumption of accuracy shall apply to the authorization, whether it is required for transmitting information, a debit, issuing drafts or certified cheques or for any other purpose. Moreover, the Bank will not be held liable for any fees or delays which may be caused when an instruction is sent whether due to a technical problem attributable to the systems in use at the Bank or otherwise.

PAYMENTS:

Unless otherwise indicated herein, the obligation of each Loan Party to make all payments under this Offering Letter and the Security shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:

1. Any set-off, compensation, counterclaim, recoupment, defence or other right which such Loan Party may have against the Bank of anyone else for any reason whatsoever; or
2. Any insolvency, bankruptcy, reorganization or similar proceedings by or against such Loan Party.

All payments to be made under this Offering Letter shall be made in Canadian Dollars.

All payments made under this Offering Letter shall be made on or prior to 1:00 p.m. Mountain Time on the day such payment is due. Any payment received after 1:00 p.m. Mountain Time shall be deemed to have been received on the following day. Whenever a payment is due on a day which is not a Business Day, such due day shall be extended to the next Business Day and such extension of time shall be included in the computation of any interest payable.

SET-OFF:

The Bank shall have the right to set-off and apply any funds of any Loan Party deposited with or held by the Bank from time to time, and any other indebtedness owing to any Loan Party by the Bank, against any of the amounts outstanding under this Offering Letter from time to time.

JUDGMENT CURRENCY:

If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this Offering Letter it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgment Currency, then such conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, rate of exchange means the rate at which the Bank would, on the relevant day, be prepared to sell a similar amount of such currency against the Judgment Currency.

**RIGHTS AND REMEDIES
CUMULATIVE:**

The rights, remedies and powers of the Bank under this Offering Letter, the Security, at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank, and no delay or omission in exercise of any such right, remedy or power shall exhaust such rights, remedies and powers to be construed as a waiver of any of them.

**WAIVERS AND
AMENDMENTS:**

No term, provision or condition of this Offering Letter or any of the Security, may be waived, varied or amended unless in writing and signed by a duly authorized officer of the Bank.

**INTEREST ACT
(CANADA):**

Any interest rate set forth in this Offering Letter based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such interest rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based. The Borrower hereby waives, to the fullest extent it may do so under law, any provisions of law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

GAAP / IFRS:

All financial statements required to be furnished by the Borrower to the Bank hereunder shall be prepared in accordance with GAAP. Each accounting term used in this Offering Letter, unless otherwise defined herein, has the meaning assigned to it under GAAP and, except as otherwise provided herein, reference to any balance sheet item, statement of income item or statement of cash flows item means such item as computed from the applicable financial statement prepared in accordance with GAAP. If there occurs a change in GAAP (an "Accounting Change"), including as a result of a conversion to International Financial Reporting Standards ("IFRS"), and such change would result in a change (other than an immaterial change) in the calculation of any financial covenant, standard or term used hereunder, then at the request of the Borrower or the Bank, the Borrower and the Bank shall enter into negotiations to amend such provisions so as to reflect such Accounting Change with the result that the criteria for evaluating the financial condition of the Borrower or any other party, as applicable, shall be the same after such Accounting Change, as if such Accounting Change had not occurred. If, however, within 30 days of the foregoing request by the Borrower or the Bank, the Borrower and the Bank have not reached agreement on such amendment, the method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change.

GOVERNING LAW:

This Offering Letter shall be construed and governed in accordance with the laws of the Province of Alberta. Each Loan Party irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta and all courts competent to hear appeals therefrom.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Offering Letter as a "Review"). The next Review is scheduled on or before August 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

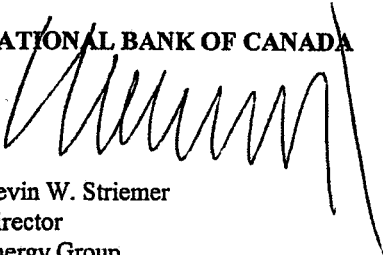
This Offering Letter is open for acceptance until May 23, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Offering Letter and return one copy to the Bank by the Expiry Date. This Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Offering Letter shall be deemed to be valid execution and delivery of this Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA



Kevin W. Striemer
Director
Energy Group

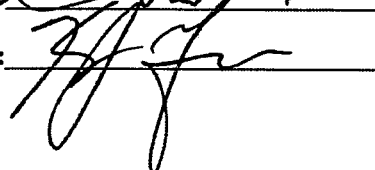

David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
P:\Data\CLIENTS\X2B - Striemer K\Palliser Oil & Gas Corporation\Credit\2012 Commitment 0512.DOC

AGREED AND ACCEPTED this 15 day of May, 2012.

PALLISER OIL & GAS CORPORATION

Per: 
Ivan J. Condic, CA
Vice President, Finance & CFO

Per: 
Kevin J. Gibson, P.Geol
President & CEO

APPENDIX A

CREDIT:

Energy Group	Director:	Mr. Kevin Striemer
National Bank of Canada	Telephone:	(403) 294-4958
311 – 6 Avenue SW, Suite 1800	Facsimile:	(403) 294-3078
Calgary, AB T2P 3H2	E-mail:	kevin.striemer@nbc.ca
	Associate:	Ms. Audrey Ng
	Telephone:	(403) 294-4966
	Facsimile:	(403) 294-3078
	E-mail:	audrey.ng@nbc.ca

ADMINISTRATION:

BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative:	Ms. Gerry McLean
	Telephone:	(403) 294-4922
	Facsimile:	(403) 294-3078
	E-mail:	gerry.mclean@nbc.ca

BRANCH:

Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone:	(403) 294-4900
	Facsimile:	(403) 294-4965
Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone:	(403) 592-8515
	Facsimile:	(403) 265-0831

INTERNET/ TELEPHONE BANKING

Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website:	www.nbc.ca
	Telephone:	(888) 483-5628

OTHER:

Internet Banking	Manager, Global Cash Management:	Ms. Kathy Holland
	Telephone:	(403) 294-4948
	Facsimile:	(403) 476-1000
	E-mail:	kathy.holland@nbc.ca
Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions:	Mr. George Androulidakis
	Telephone:	(403) 440-1126
	Facsimile:	(403) 294-4923
	E-mail:	george.androulidakis@tres.bnc.ca
Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone:	(403) 294-4935
	Facsimile:	(403) 294-4923
	E-mail:	energy@nbcenergy.com

APPENDIX B

COMPLIANCE CERTIFICATE

To: National Bank of Canada
311 – 6 Avenue SW, Suite 1800
Calgary, AB

I _____, of the City of _____, in the Province of _____, hereby certify as at the date of this Certificate as follows:

1. I am the _____ of Palliser Oil & Gas Corporation (the "Borrower") and I am authorized to provide this Certificate to you for and on behalf of the Borrower;
2. This Certificate applies to the fiscal quarter ended _____, 20__;
3. I am familiar with and have examined the provisions of the Offering Letter dated May 15, 2012, as amended from time to time, between the Borrower and National Bank of Canada and I have made such investigations of corporate records and inquiries of other officers and senior personnel of each Loan Party as I have deemed reasonably necessary for purposes of the Certificate;
4. As of the date hereof, the Borrower confirms that all of its subsidiaries (if any) are Loan Parties.
5. The representations and warranties set forth in the Offering Letter are in all material respects true and correct on the date hereof;
6. No Default or Event of Default has occurred and is continuing of which we are aware;
7. As required, I have calculated the Adjusted Working Capital Ratio for the fiscal quarter ended as follows:
_____ : 1.00; and
8. All relevant calculations and financial statements are attached.

Except where the context otherwise requires, all capitalized terms used herein have the same meanings as given thereto in the Offering Letter.

This Certificate is given by the undersigned officer in their capacity as an officer of the Borrower without any personal liability on the part of such officer.

Executed at the City of _____, in the Province of _____ this _____ day of _____, 20__.

Yours truly,

PALLISER OIL & GAS CORPORATION

Per: _____

Name:
Title:

**PALLISER OIL & GAS CORPORATION
COMPLIANCE CERTIFICATE**

Calculation of Adjusted Working Capital Ratio

Current Assets

Current assets	\$
Less: Unrealized Hedging Gains	()
Add: Undrawn Availability under Credit Facility A	
	<u>\$ (A)</u>

Current Liabilities

Current liabilities	\$
Less: Unrealized Hedging Losses	()
Less: Current Portion of Bank Debt	()
	<u>\$ (B)</u>

Adjusted Working Capital Ratio calculated as follows:

$$\frac{A}{B} =$$

APPENDIX C

DEFINITIONS

In the Offering Letter, including all Appendices to the Offering Letter, and in all notices given pursuant to the Offering Letter, unless something in the subject matter or context is inconsistent therewith, capitalized words and phrases shall have the meanings given to them in the Offering Letter in their proper context, and capitalized words and phrases not otherwise defined in the Offering Letter shall have the following meanings:

"**Adjusted Working Capital Ratio**" means the ratio of (i) Current Assets plus undrawn Availability under Credit Facility A to (ii) Current Liabilities.

"**Advance**" means an advance of funds made by the Bank under a Credit Facility to the Borrower, or if the context so requires, an advance of funds under one or more of the Credit Facilities or under one or more of the availability options of one or more of the Credit Facilities, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding Prime Rate Loans and Base Rate Loans, plus the Face Amount of all outstanding BAs and the stated amount of all L/C/Gs as applicable.

"**Appendix**" means an appendix to the Offering Letter.

"**Applicable Margin**" means, at any time, a margin, expressed as a rate per annum based on a 365 or 366 day period, as the case may be, for Prime Rate Loans, Base Rate Loans and payment of Standby Fees and L/C/G Fees, or based on a 365 day period in the case of Stamping Fees, and in any case payable to the Bank, as set out in the Pricing Grid for Facility A under the then Net Debt to Cash Flow Ratio applicable to the type of Advance.

"**Availability**" has the meaning ascribed to such term under the section heading "Availability", with respect to the applicable Credit Facility.

"**bps**" means one one-hundredth of one percent.

"**Business Day**" means a day on which banks are open for business in Calgary, Alberta, Montreal, Quebec and Toronto, Ontario; but does not, in any event, include a Saturday or Sunday.

"**Calgary Branch of the Bank**" means the branch of the Bank at 301 – 6 Avenue SW, Calgary, AB T2P 4M9, fax (403) 294-4965, or such other address as the Bank may notify the Borrower from time to time.

"**Canadian Dollars**", "**Cdn Dollars**", "**Cdn\$**", "**CA\$**" and "**\$**" mean the lawful money of Canada.

"**Capital Lease**" means, with respect to any Person, any lease or other arrangement relating to real or personal property which should, in accordance with GAAP, be accounted for as a capital lease on a balance sheet of such Person but excluding any lease that would in accordance with GAAP be determined to be an operating lease.

"**Cash Flow**" means, at any time, the annualized cash flow of the Borrower on a consolidated basis for the most recent fiscal quarter as determined from its quarterly financial statements for that fiscal quarter, which for certainty means an annualized aggregate amount expressed in Canadian Dollars of the sum, without duplication, of its:

- (a) net earnings (but excluding from the determination of net earnings, non-cash income, unrealized mark to market gains, Capital Lease payments, any abandonment costs paid in cash, cash taxes and any extraordinary or nonrecurring earnings, gains, and losses);
- (b) depletion, depreciation, accretion and amortization;
- (c) exploration and evaluation expenses to the extent deducted from Net Income;
- (d) future income taxes; and
- (e) other charges to operations not requiring a current cash payment,

it being acknowledged that such annualized cash flow shall be adjusted for such other amounts as reasonably requested by the Bank during such fiscal quarter.

"Change of Control" means the occurrence of any of the following events, with respect to any Loan Party:

- (a) any Person or Persons acting jointly or in concert (within the meaning of the Securities Act (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or has the right to acquire or control or exercise direction over (whether such right is exercisable immediately or only after the passage of time) more than 20% of the issued and outstanding Voting Shares of such Loan Party; or
- (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of such Loan Party cease, for any reason, to constitute at least a majority of the board of directors of such Loan Party unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the "Incumbent Directors") and in particular, any new director who assumes office in connection with or as a result of any actual or threatened proxy or other election contest of the board of directors of the Borrower shall never be an Incumbent Director; or
- (c) such Loan Party ceases to own, control or direct 100% of the Voting Shares of a subsidiary.

"Compliance Certificate" means a certificate of an officer of the Borrower signed on its behalf by the president, chief executive officer, chief operating officer, chief financial officer or any vice president of the Borrower, substantially in the form annexed hereto as Appendix B, to be given to the Bank by the Borrower from time to time pursuant to the Offering Letter.

"Credit Facilities" means the credit facility(ies) (and the risk management facility) to be made available to the Borrower by the Bank in accordance with the provisions of the Offering Letter.

"Current Assets" means, as at any date of determination, the current assets of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding the impact of any Unrealized Hedging Gains.

"Current Liabilities" means, as at any date of determination, the current liabilities of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding: (i) Current Portion of Bank Debt; and (ii) the impact of any Unrealized Hedging Losses.

"Current Portion of Bank Debt" means any current liabilities under the Credit Facilities other than those that arise due to total advances under a Credit Facility exceeding the maximum amount of such Credit Facility, whether by reduction of maximum amount, fluctuations in exchange rates, or due to mandatory repayments, or due to the occurrence of a Default or an Event of Default, or due to the Bank's demand for repayment.

"Debt" means, as at any date of determination, all obligations, liabilities and indebtedness of the Borrower which would, in accordance with generally accepted accounting principles, be classified upon a consolidated balance sheet of the Borrower for such date as indebtedness for borrowed money and, without limiting the generality of the foregoing, whether or not so classified, shall include (without duplication):

- (a) obligations under BAs;
- (b) issued and drawn L/C/Gs;
- (c) obligations under guarantees, indemnities, or such other agreements providing financial assistance;
- (d) Capital Leases or sales/lease-backs;
- (e) obligations under deferred purchase price agreements;
- (f) deferred revenues relating to third party obligations;
- (g) the redemption amount of any capital where the holder of such capital has the option to require the redemption of such capital for cash or property and payment of the redemption amounts;
- (h) any distributions declared but not yet paid; and
- (i) all mark to market losses under any Financial Instruments that are due and owing.

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

"Face Amount" means (i) in respect of a BA, the amount payable to the holder thereof on its maturity, and (ii) in respect of a L/C/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C/G.

"Federal Funds Effective Rate" means, on any day, the rate of interest per annum for that day set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (the "H.15(519)") opposite the caption "Federal Funds (Effective)" and, if on any day such rate is not yet published in H. 15(519), the rate for such day will be the rate set forth in the Composite 3:30 p.m. Quotations for US Government Securities, or any successor publication, for such day published by the Federal Reserve Board (the "Composite 3:30 p.m. Quotations") under the caption "Federal Funds Effective Rate"; provided that if such rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, such rate will be the average of the interest rates per annum quoted for such day on overnight Federal funds (such words to have the meaning generally given to them by money market brokers of recognized standing doing business in the United States of America) transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank;

"Financial Instrument" means any currency swap agreement, cross-currency agreement, interest swap agreement, agreement for the making or taking of delivery of any commodity, commodity swap agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar risk management agreement or arrangement, or any combination thereof, to be entered into by the Borrower where (i) the subject matter of the same is interest rates or the price, value or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt) (ii) the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates as in effect from time to time, or (iii) the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles consistently applied which are in effect from time to time, as published in the Handbook of the Canadian Institute of Chartered Accountants and other primary sources recognized from time to time by the Canadian Institute of Chartered Accountants.

"ISDA Master Agreement" means an International Swap and Derivatives Association, Inc. Master Agreement (Multi Currency - Cross-Border) as from time to time amended, restated or replaced by the International Swap and Derivatives Association, Inc., including the schedule thereto and any confirmation thereunder as entered into by the Borrower with any counterparty thereto.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition, operations, assets or capitalization of the Borrower on a consolidated basis and taken as a whole;
- (b) the ability of any Loan Party to pay or perform the obligations under this Offering Letter or the ability of any Loan Party to pay or perform any of its obligations or contingent obligations under any Security or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (c) the ability of any Loan Party to perform its obligations under any material contract, if it would also have a material adverse effect on the ability of such Loan Party to pay or perform its obligations under this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (d) the validity or enforceability of this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security; and
- (e) the priority ranking of any security interests granted by this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security, or the rights or remedies intended or purported to be granted to the Bank under or pursuant to this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security.

"Net Debt" means at any time, on a consolidated basis, the aggregate amount (without duplication) expressed in Canadian Dollars of (a) Working Capital Deficit plus (b) Debt.

"Net Debt to Cash Flow Ratio" means at any time, the ratio of (i) Net Debt to (ii) Cash Flow.

"Offering Letter" means the offering letter to which this appendix is appended, and any appendices thereto, as amended, supplemented, modified, restated or replaced from time to time.

"Permitted Contest" means action taken by a Loan Party in good faith by the appropriate proceedings diligently pursued to contest a tax, claim or security interest, provided that:

- (a) such Loan Party has established reasonable reserves therefor in accordance with GAAP;
- (b) proceeding with such contest does not have, and would 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 property, assets or undertaking of any Loan Party.

"Permitted Encumbrance" means at any particular time any of the following encumbrances on the property or any part of the property of any Loan Party:

- (a) liens for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (b) liens under or pursuant to any judgment rendered, or claim filed, against a Loan Party, which such Loan Party shall be contesting at the time by a Permitted Contest;
- (c) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law against any Loan Party or which relate to obligations not due or delinquent, or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (d) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil and other pipelines, gas and water mains, electric light and power and telecommunication, telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which individually or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of any Loan Party;
- (e) security given by any Loan Party 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 such Loan Party, 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 any Loan Party;
- (f) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (g) security interests in favour of the Bank securing the obligations of any Loan Party under the Offering Letter or the Security;
- (h) the Security;

- (i) liens incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or operation of petroleum or natural gas interests, related production or processing facilities in which such Person has an interest or the transmission of petroleum or natural gas as security in favour of any other Person conducting the exploration, development, operation or transmission 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 that such costs or expenses are not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (j) liens for penalties arising under non-participation or independent operations provisions of operating or similar agreements in respect of any Loan Party's petroleum or natural gas interests, provided that such liens do not materially detract from the value of any material part of the property of any Loan Party;
- (k) 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 petroleum or natural gas interests of any Loan Party;
- (l) any encumbrance or agreement entered into in the ordinary course of business relating to pooling or a plan of unitization affecting the property of any Loan Party, or any part thereof;
- (m) the right reserved or vested in any municipality or governmental or other public authority by the terms of any petroleum or natural gas leases or similar agreements in which any Loan Party has any interest or by any statutory provision to terminate petroleum or natural gas leases or similar agreements in which any Loan Party has any interest, or to require annual or other periodic payments as a condition of the continuance thereof;
- (n) obligations of any Loan Party to deliver petroleum, natural gas, chemicals, minerals or other products to buyers thereof in the ordinary course of business; and
- (o) royalties, net profits and other interests and obligations arising in accordance with standard industry practice and in the ordinary course of business, under petroleum or natural gas leases or similar agreements in which any Loan Party has any interest.

"Person" or "person" means and includes an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

"Prime Rate" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in Canadian Dollars made by the Bank in Canada; and
- (b) the average annual rate (rounded upwards, if necessary, to 0.01%) as determined by the Bank as being the average of the "BA 1 month" CDOR Rate applicable to bankers' acceptances in Canadian Dollars displayed and identified as such on the "Reuters Screen CDOR Page" (as defined in the International Swap and Derivatives Association, Inc. definitions, as modified and amended from time to time) plus 1.00%; provided that if such rates do not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic average of the 30-day discount rates applicable to bankers' acceptances in Canadian Dollars quoted by three major Canadian Schedule I chartered banks chosen by the Bank as of approximately 10:00 a.m. on such day, or if such day is not a Business Day, then on the immediately preceding Business Day.

"Retractable Preferred Shares" means preferred shares of the Borrower which are retractable at the option of the holder.

"Stamping Fee" means, at any time, a margin, expressed as a rate per annum based on a 365 day period, charged by the Bank for accepting and stamping BAs.

"**Unrealized Hedging Gains**" means mark to market unrealized gains in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"**Unrealized Hedging Losses**" means mark to market unrealized losses in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"**U.S. Base Rate**" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in U.S.\$ made by the Bank in Canada; and
- (b) the Federal Funds Effective Rate in effect from time to time multiplied by 365/366, plus a margin on one half (1/2) of one (1) percent (0.50%).

"**U.S. Dollar**" and the symbol "U.S.\$" each means lawful money of the United States of America in same day immediately available funds and, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due.

"**Voting Shares**" means:

- (a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

provided that subparagraph (ii) above shall not include voting rights created solely by statute, such as those rights created pursuant to section 183(4) of the Business Corporations Act (Alberta) as in effect on the date of the Offering Letter;

- (b) in respect of a trust, trust units of the trust:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;
- (c) in respect of a partnership, the partnership interests or partnership units:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and is continuing.

"**Working Capital Deficit**" means Current Liabilities minus Current Assets.



**NATIONAL
BANK**

Writer's Direct Line
(403) 294-4958

June 4, 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 15, 2012, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

DRAWDOWN AMOUNT: \$4,900,000.

PURPOSE: To assist in development capital expenditures at Edam, Marsden, and Marwayne, AB.

REPAYMENT: Principal repayments of \$375,000/month commencing August 1, 2012.

CREDIT FACILITY FEE: \$24,500, due and payable upon provision of this Amending Offering Letter.

CONDITIONS PRECEDENT TO FUNDING: In addition to all other Conditions Precedent set out in this Amending Offering Letter, prior to advances under the Credit Facility B the Borrower shall provide:

1. Variable Rate Demand Promissory Note in the face amount of \$4,900,000;
2. Engineering report of the petroleum reserves to be developed (received); and
3. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable (received).

National Bank of Canada
311 - 6 Avenue SW, Suite 1800
Calgary (Alberta) T2P 3H2

FOR ALL CREDIT FACILITIES

INTERPRETATION:

In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated June 4, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. All fees due and payable to the Bank shall have been paid.
3. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before August 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

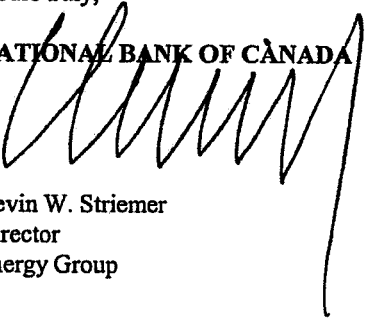
This Amending Offering Letter is open for acceptance until June 11, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


Kevin W. Striemer
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 5 day of June, 2012.

PALLISER OIL & GAS CORPORATION

Per: 

Ivan J. Condic, CA
Vice President, Finance & CFO

Per: 

Kevin J. Gibson, P.Geol
President & CEO

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Kevin Striemer (403) 294-4958 (403) 294-3078 kevin.striemer@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com

311 - 6 Avenue SW, Suite 1800
Calgary, AB T2P 3H2
Branch address

2012 06 05
Date (YYYY MM DD)

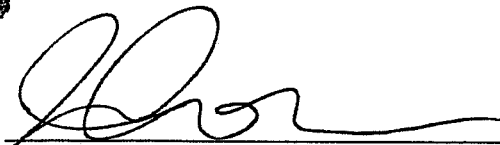
\$ 4 900 000,00
Amount

ON DEMAND, I promise to pay to the order of NATIONAL BANK OF CANADA the sum of Four Million Nine Hundred Thousand -----00 /100 dollars with interest payable monthly at the Bank's prime rate* plus 1.50 per cent per annum up to and after maturity, until fully paid, plus minimum charges of **\$10**, at the above National Bank of Canada branch. The prime rate as at the date of this note is _____ per cent per annum.

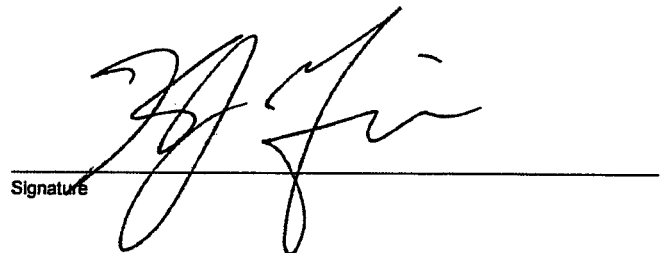
I acknowledge that value has been received as consideration for this note.

* **Prime rate:** The annual variable interest rate posted by National Bank of Canada from time to time, which is used to determine the interest rate on loans in Canadian dollars made in Canada.

PALLISER OIL & GAS CORPORATION


Signature

Ivan J. Condic, CA
Vice President, Finance & CFO


Signature

Kevin J. Gibson, P.Geol
President & CEO



RECEIVED

AUG 08 2012

RECEIVED
AUG 08 2012
PALLISER OIL & GAS
CORPORATION

Writer's Direct Line
(403) 294-4958

August 8, 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

ATTENTION: Mr. Kevin Gibson
President & CEO

Mr. Ivan Condic
VP Finance & CFO

Dear Sirs:

RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 15, 2012, as amended June 4, 2012, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$33,000,000.

PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures and to pay out existing Advances on the Credit Facility B.

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

FOR ALL CREDIT FACILITIES

INTERPRETATION: In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES:

\$50,000 payable upon provision of this Amending Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated August 8, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. A Revolving Demand Credit Agreement in the face amount of \$33,000,000 duly executed and delivered to the Bank by the Borrower.
2. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
3. All fees due and payable to the Bank shall have been paid.
4. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before January 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

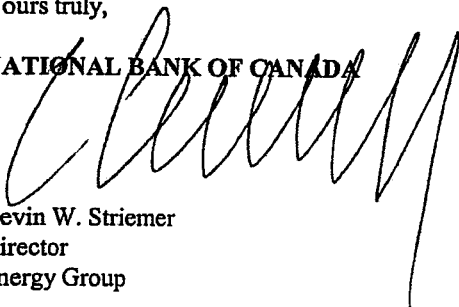
This Amending Offering Letter is open for acceptance until August 15, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


Kevin W. Striemer
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 8 day of August, 2012.

PALLISER OIL & GAS CORPORATION

Per: 

Per: 

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Kevin Striemer (403) 294-4958 (403) 294-3078 kevin.striemer@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com



RECEIVED

AUG 20 2012

Writer's Direct Line
(403) 294-4958

August 21, 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 15, 2012, as amended June 4, 2012 and August 8, 2012, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

FOR ALL CREDIT FACILITIES

INTERPRETATION: In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

SECURITY: The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated August 21, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

**NEGATIVE
COVENANTS:**

No Loan Party shall, without the prior approval of the Bank (each of the below being a "Negative Covenant"):

7. Hedge or contract crude oil, natural gas liquids, or natural gas, on a fixed price basis, exceeding 60% of actual production volumes for the first 12 months from the date such contract is entered into, and 50% of actual production volumes thereafter.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before January 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

This Amending Offering Letter is open for acceptance until August 30, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

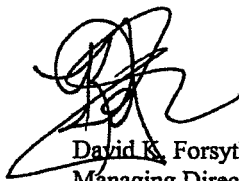
If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,


NATIONAL BANK OF CANADA

Kevin W. Striemer
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 24 day of August, 2012.

PALLISER OIL & GAS CORPORATION

Per: 

Ivan J. Condic, CA
Vice President, Finance & CFO

Per: 

Kevin J. Gibson, P.Geol
Chief Executive Officer

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Kevin Striemer (403) 294-4958 (403) 294-3078 kevin.striemer@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com



**NATIONAL
BANK**

RECEIVED
SEP 11 2012
PALLISER OIL & GAS
CORPORATION

Writer's Direct Line
(403) 294-4958

September 11, 2012

RECEIVED

SEP 13 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 15, 2012, as amended June 4, 2012, August 8, 2012, and August 21, 2012, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$33,000,000. Maximum Amount to be increased to \$37,500,000 upon close of the acquisition of certain assets at Marsden, AB from Arrowwood Oil and Gas Ltd. ("Arrowwood Acquisition") closing on or about September 14, 2012.

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000. Maximum Amount to be decreased to \$5,500,000 upon close of the Arrowwood Acquisition.

FOR ALL CREDIT FACILITIES

INTERPRETATION: In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

National Bank of Canada
311 - 6 Avenue SW, Suite 1800
Calgary (Alberta) T2P 3H2

FEES:

\$45,000 payable upon provision of this Amending Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated September 11, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. A Revolving Demand Credit Agreement in the face amount of \$37,500,000 duly executed and delivered to the Bank by the Borrower.
2. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
3. Evidence of closing of the Arrowwood Acquisition, including a copy of the executed purchase and sale agreement, any related conveyance and no interest letter.
4. All fees due and payable to the Bank shall have been paid.
5. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before January 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

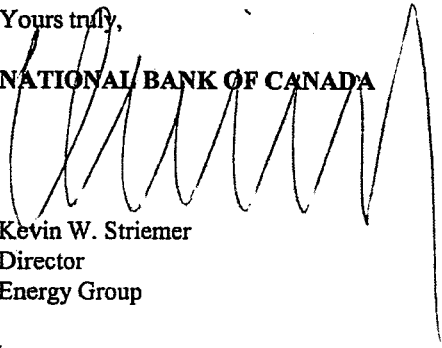
This Amending Offering Letter is open for acceptance until September 14, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

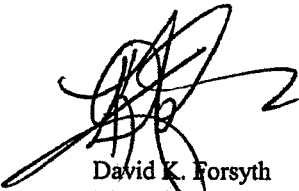
If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


Kevin W. Striemer
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 12 day of September, 2012.

PALLISER OIL & GAS CORPORATION

Per: 

Ivan J. Condic, CA
Vice President, Finance & CFO

Per: 

Kevin J. Gibson, P.Geol
Chief Executive Officer

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Kevin Striemer (403) 294-4958 (403) 294-3078 kevin.striemer@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com

In consideration of the National Bank of Canada (hereinafter called the "Bank") providing the undersigned (hereinafter called the "Customer") with a revolving demand loan facility (hereinafter called the "Loan Facility") in the aggregate principal amount not exceeding \$37,500,000.00, Thirty Seven Million Five Hundred Thousand --- dollars (CDN) the Customer agrees with the Bank as follows:

1. TERM OF CREDIT

The Customer promises to pay to the Bank, on demand, all amounts outstanding under this Loan Facility including, without limitation, principal, interest, fees and accessories.

2. INTEREST RATE

2.1 Advances in CDNS

Advances in CDNS shall bear interest, until payment in full, at the Canadian Prime Rate of the Bank plus one (1.00%) per cent, calculated daily and payable monthly, with a minimum charge of \$ 10.00. At the date hereof the Canadian Prime Rate of the Bank is three (3.00%) per cent per annum.

3. FINANCING CONDITIONS

3.1 The Customer authorizes the Bank, but the Bank is not obliged, to debit from time to time his Account with the amount of interest accrued and unpaid by the Customer.

3.2 Provided that the Bank has not demanded payment of any amount outstanding under this Loan Facility, or has not terminated this Agreement, the Customer may, at the Bank's discretion, borrow, repay and reborrow up to the amount available under this Loan Facility at any time and from time to time in the following manner:

3.2.1 The Customer authorizes the Bank, daily or otherwise as and when determined by the Bank from time to time, to ascertain the position or net position (as the case may be) between the Customer and the Bank in respect to the deposit account or, if more than one, the deposit accounts maintained by the Customer with the Bank (herein called the "Account") and that

3.2.1.1 if such position or net position is a credit in favour of the Customer, the Bank may apply the amount of such credit or any part thereof, rounded to the nearest \$100,000.00 as a repayment of the Loan Facility, and the Bank will debit the Account with the amount of such repayment; and

3.2.1.2 if such position or net position is a debit in favour of the Bank, the Bank will make an advance under the Loan Facility of such amount, rounded to the nearest \$100,000.00 as is required to place the Account in such credit or net credit position as has been agreed between the Customer and the Bank from time to time, and the Bank may increase the unpaid balance owing under the Loan Facility, and credit the Account with the amount of such advance;

provided that at no time shall the balance owing exceed the amount of the Loan Facility.

3.3 The Customer agrees to maintain an average monthly minimum credit balance in the Account, which may include compensating balances to cover service charges, reserves and debit float. Such balance shall be the amount agreed to in writing between the Customer and the Bank from time to time.

3.4 The Bank shall maintain on the books of its unit of account, accounts, and records evidencing the outstanding principal amount of the loan of the Bank to the Customer under this Loan Facility together with any interest in respect thereof. The Bank shall maintain a record or computerized data of the amount of the balance, each advance, and each payment of principal and interest on account of the loan. The Bank's accounts and records constitute in the absence of manifest error prima facie evidence of the indebtedness of the Customer to the Bank under this Loan Facility.

6. INTERPRETATION

6.1 Definitions

For the purposes hereof, the following words and phrases shall have the following meaning:

"Canadian Dollars" "CDNS": means lawful money of Canada.

"Canadian Prime Rate": means the annual variable rate of interest announced from time to time by the Bank and used to determine the interest rates on Canadian dollar commercial loans granted by the Bank in Canada.

"Debt", "indebtedness" or "total indebtedness": means the aggregate amount of principal, interest and accessories due by the Customer hereunder.

"Floating Rate": means the interest rate applicable to the floating rate advances made hereunder in Canadian or U.S. dollars, as the case may be.

"U.S. Base Rate": means the annual variable rate of interest announced from time to time by the Bank and used to determine the interest rates on U.S. dollar commercial loans granted by the Bank of Canada.

"U.S. Dollars" "US\$": means lawful money of the United States of America.

6.2 Conversion to U.S. or Canadian dollars

Each time an amount in Canadian dollars must be converted or expressed in U.S. dollars, or the equivalent in U.S. dollars (or inversely) must be determined, such calculation shall be made, on the appropriate date, in accordance with the cash purchase rate of the Bank at about 10:30 a.m.

6.3 Other Agreements

The Customer acknowledges that the terms of this agreement are in addition to and not in substitution for any terms and conditions of any other agreements between the Customer and the Bank.

7. GENERAL TERMS AND CONDITIONS OF REPAYMENT

7.1 Currency and place of payment

All amounts due by the Customer under the terms hereof shall be paid by the Customer to the Bank in Canadian dollars in the case of a financing granted in Canadian dollars, or in U.S. dollars in the case of a financing granted in U.S. dollars.

Should the amount of principal of the debt owing to the Bank exceed the credit limit effectively granted hereunder, the Customer shall reimburse the Bank, on demand, an amount equal to such excess amount.

7.2 Judgment rendered in a currency other than the currency in which the financing granted was due

Should a judgment be obtained against the Customer for an amount owed by it, in a currency other than the one in which the said amount was owing hereunder, the Customer shall pay the Bank, as applicable, on the judgment payment date, such additional amount as is equal to the excess of the amount that was due hereunder and converted into the other currency, on the judgement payment date, with respect to the judgement amount. The exchange rate applicable for the purposes of obtaining the judgment and for calculating said conversion shall be the rate at which the Bank is able, on the appropriate date, in Montreal to sell the currency applicable to this agreement to purchase the other currency.

Any additional amount owing under this clause shall be due as a separate debt from that which gave rise to the judgment, which judgment shall not constitute res judicata.

8. LANGUAGE

The Customer has expressly requested that this document be drawn up and executed in the English language.

EXECUTED AT CALGARY, ALBERTA THIS 12 DAY OF September, 2012.

NATIONAL BANK OF CANADA

SIGNATURE (Bank)

Kevin W. Striemer
Director
Energy Group

PALLISER OIL & GAS CORPORATION

SIGNATURE (Customer)

Ivan J. Condie, CA
Vice President, Finance & CFO

Kevin J. Gibson, P.Geol
Chief Executive Officer



RECEIVED

Writer's Direct Line
(403) 294-4958

OCT 25 2012

October 22, 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 15, 2012, as amended June 4, 2012, August 8, 2012, August 21, 2012, and September 11, 2012, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$37,800,000.

PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures and to assist in financing the acquisition of producing petroleum and natural gas reserves from Whitecap Resources Inc. closing on or about November 8, 2012.

AVAILABILITY: Total Availability under Credit Facility A restricted to \$37,500,000 pending close of the Whitecap Resources Inc. acquisition.

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$5,200,000.

DRAWDOWN AMOUNT: \$2,000,000.

National Bank of Canada
311 - 6 Avenue SW, Suite 1800
Calgary (Alberta) T2P 3H2

PURPOSE: To assist in development capital expenditures at Edam (A02-12), Marsden (B15-27 and A12-27), and Swimming (8B-34).

REPAYMENT: Principal repayments of \$120,000/month commencing January 1, 2013.

CREDIT FACILITY FEE: \$10,000, payable at drawdown commitment.

CONDITIONS PRECEDENT TO FUNDING:

In addition to all other Conditions Precedent set out in this Amending Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:

1. Variable Rate Demand Promissory Note in the face amount of \$2,000,000;
2. Engineering report of the petroleum reserves to be developed (received);
3. Satisfactory evidence of title to petroleum and natural gas properties subject to the Security; and
4. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable (received).

FOR ALL CREDIT FACILITIES

INTERPRETATION:

In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES:

\$1,500 payable upon provision of this Amending Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review.

This fee is in addition to and not in substitution for any other fees due and payable under this Amending Offering Letter.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated October 22, 2012.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. A Revolving Demand Credit Agreement in the face amount of \$37,800,000 duly executed and delivered to the Bank by the Borrower.
2. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
3. Satisfactory evidence to the Bank and its counsel that the Borrower has proper title to its major acquired petroleum and natural gas interests and that no prior charges, liens, encumbrances, or claims exist against such interests.
4. Evidence of closing of the petroleum and natural gas reserve acquisition from Whitecap Resources Inc., including a copy of the executed purchase and sale agreement and any related conveyance and no interest letter.
5. All fees due and payable to the Bank shall have been paid.
6. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before January 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

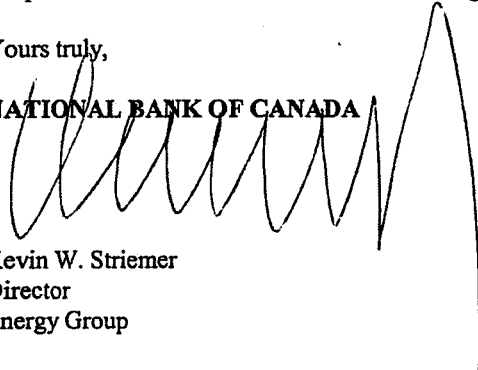
This Amending Offering Letter is open for acceptance until October 30, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

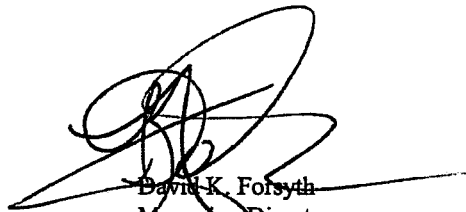
If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


Kevin W. Striemer
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 23 day of October, 2012.

PALLISER OIL & GAS CORPORATION

Per: 

Per: 

APPENDIX A

CREDIT: Energy Group Director: Mr. Kevin Striemer
National Bank of Canada Telephone: (403) 294-4958
311 – 6 Avenue SW, Suite 1800 Facsimile: (403) 294-3078
Calgary, AB T2P 3H2 E-mail: kevin.striemer@nbc.ca

Associate: Ms. Audrey Ng
Telephone: (403) 294-4966
Facsimile: (403) 294-3078
E-mail: audrey.ng@nbc.ca

ADMINISTRATION: BA Administration; Current Account Representative: Ms. Gerry McLean
Account Documents; L/C/Gs; Telephone: (403) 294-4922
MasterCard; Loan/Account Facsimile: (403) 294-3078
Balances; CAD/USD Money E-mail: gerry.mclean@nbc.ca
Orders/Bank Drafts; Bank
Confirmations; Investments;
General Inquiries

BRANCH: Calgary Downtown Branch Telephone: (403) 294-4900
National Bank of Canada Facsimile: (403) 294-4965
301 – 6 Avenue SW
Calgary, AB T2P 4M9

Calgary MacLeod Trail Branch Telephone: (403) 592-8515
National Bank of Canada Facsimile: (403) 265-0831
430 - 7337 MacLeod Trail South
Calgary, AB T2H 0L8

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TELEPHONE
BANKING** Order Cheques, Loan/Account Website: www.nbc.ca
Balances; Traces; Stop Telephone: (888) 483-5628
Payments, List of Current
Account Transactions; Pay Bills;
Transfer Between Accounts

OTHER: Internet Banking Manager,
Global Cash Management: Ms. Kathy Holland
Telephone: (403) 294-4948
Facsimile: (403) 476-1000
E-mail: kathy.holland@nbc.ca

Foreign Exchange & Interest Director, Risk
Rates Management Solutions: Mr. George Androulidakis
National Bank of Canada Telephone: (403) 440-1126
311 – 6 Avenue SW, 6th Floor Facsimile: (403) 294-4923
Calgary, AB T2P 3H2 E-mail: george.androulidakis@tres.bnc.ca

Commodity Derivatives Telephone: (403) 294-4935
311 – 6 Avenue SW, 6th Floor Facsimile: (403) 294-4923
Calgary, AB T2P 3H2 E-mail: energy@nbcenergy.com

311 - 6 Avenue SW, Suite 1800
Calgary, AB T2P 3H2
Branch address

2012/10/23
Date (YYYY MM DD)

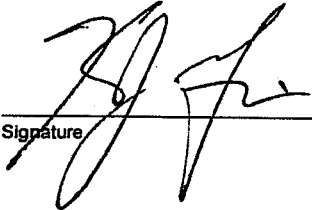
\$ 2 000 000,00
Amount

ON DEMAND, I promise to pay to the order of NATIONAL BANK OF CANADA the sum of Two Million _____00 /100 dollars with interest payable monthly at the Bank's prime rate* plus 1.50 per cent per annum up to and after maturity, until fully paid, plus minimum charges of \$10, at the above National Bank of Canada branch. The prime rate as at the date of this note is _____ per cent per annum.

I acknowledge that value has been received as consideration for this note.

* **Prime rate:** The annual variable interest rate posted by National Bank of Canada from time to time, which is used to determine the interest rate on loans in Canadian dollars made in Canada.

PALLISER OIL & GAS CORPORATION

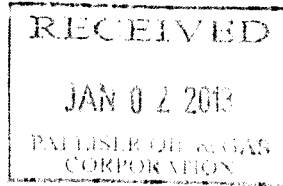

Signature


Signature



**NATIONAL
BANK**

Writer's Direct Line
(403) 294-4958



December 31, 2012

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions set out herein. This Offering Letter contains all the terms and conditions pertaining to the availability of Credit Facilities from National Bank of Canada and as a result it amends, incorporates, and restates the terms and conditions of all existing and new commitments.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$42,000,000.

PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures and to pay out existing Advances on the Credit Facility B.

AVAILABILITY: Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$100,000.

Bankers' acceptances ("BAs") in Canadian dollars.

Letters of credit and/or letters of guarantee ("L/C/Gs") (maximum term one year). The aggregate Face Amount of L/C/Gs issued and outstanding at any time limited to \$1,500,000 in any currency acceptable to the Bank.

REPAYMENT: Interest only but always subject to Availability, Review, and the Bank's right of demand.

INTEREST RATE:

Prime Rate Loans

The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility A at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one percent (Prime Rate + 1.00% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

Canadian Dollar BAs

Subject to market availability, in multiples of \$100,000 and minimum draws of \$1,000,000, BAs at a Stamping Fee of two and one-quarter percent per annum (2.25% p.a.) and calculated on the basis of the number of days elapsed in a 365 day year, payable at time of acceptance by the Bank. BAs shall have a minimum term of 30 days and maximum term of 90 days, and shall not include any days of grace. The BAs shall remain in effect until the maturity of the term selected. If the Bank does not receive written instructions from the Borrower concerning renewal of the BAs, then Prime Rate Loans shall be automatically utilized until written instructions are received from the Borrower.

STANDBY FEE:

One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility A (the "Standby Fee"), payable monthly on the first Business Day of each month.

L/C/G FEE:

One and one-half percent per annum (1.50% p.a.), based on a 365 or 366 day period, as the case may be, of the issue amount, payable at issue (the "L/C/G Fee"). This non-refundable, upfront fee is to be based on the number of months the L/C/G is to be outstanding with any portion of 31 days to be considered a complete month.

**DRAWDOWN,
NOTIFICATION,
AND CONVERSION:**

All Advances under Credit Facility A may only be drawn on a day that is a Business Day.

Prime Rate Loans

As required.

Canadian Dollar BAs

The Borrower shall provide two Business Days written notice to the Bank for Advances of BAs, notice to be received no later than 9:00 a.m. Mountain Time. The Borrower shall also provide two Business Days written notice for conversion of BAs at maturity to Prime Rate Loans.

EVIDENCE OF DEBT:

Revolving Demand Credit Agreement, Power of Attorney Form and Acknowledgement for Bankers' Acceptances, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

PURPOSE: Credit Facility B shall only be used by the Borrower to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.

AVAILABILITY: Prime Rate loans ("Prime Rate Loans") in Canadian dollars, available by way of multiple draws subject to prior engineering review by the Bank utilizing the Bank's normal lending parameters accorded to the proved producing petroleum and natural gas reserves being acquired and/or evidence of capital expenditures on approved development of proved non-producing/undeveloped reserves.

REPAYMENT: Subject to Availability, Review, and the Bank's right of demand, monthly principal repayments over the half-life of the reserves being financed, as determined by the Bank. Repayment to commence the month following drawdown.

INTEREST RATE: The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility B at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one and one-half percent (Prime Rate + 1.50% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

CREDIT FACILITY FEE: One-half percent (0.50%) on the amount of each Advance drawn on the Credit Facility B, due and payable at the commitment for such Advance. Non-refundable.

STANDBY FEE: One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility B (the "Standby Fee"), payable monthly on the first Business Day of each month.

CONDITIONS PRECEDENT TO FUNDING:

In addition to all other Conditions Precedent set out in this Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:

1. Copy of the executed purchase and sale agreement and any related conveyance, as applicable;
2. Variable Rate Demand Promissory Note in the face amount to be drawn;
3. Engineering report of the petroleum reserves to be purchased or developed;
4. Satisfactory evidence of title to petroleum and natural gas properties subject to the Security;
5. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable; and
6. Corporate projections of balance sheet and income statement for the contemplated acquisition, as applicable.

EVIDENCE OF DEBT:

Variable Rate Demand Promissory Note and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY C:

MASTERCARD FACILITY (the "Credit Facility C").

MAXIMUM AMOUNT:

\$50,000.

PURPOSE:

Credit Facility C shall only be used by the Borrower to facilitate travel, entertainment, and supplier expenses for company officers.

REPAYMENT:

Payment in full, monthly.

INTEREST RATE:

Standard rates as established from time to time by MasterCard.

EVIDENCE OF DEBT:

MasterCard monthly statements and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

RISK MANAGEMENT FACILITY (the "Risk Management Facility")

PURPOSE:

Risk Management Facility shall be used by the Borrower for Financial Instruments.

AVAILABILITY:

Various Financial Instruments. Maximum term 26 months. Subject to Bank availability and including a cross default limit of \$250,000.

SETTLEMENT:

Settlement as per contract maturities.

EVIDENCE OF USAGE:

Executed treasury contracts, executed ISDA Master Agreement with appropriate annexes, other documentation acceptable to the Bank, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

FOR ALL CREDIT FACILITIES

DEFINITIONS:

In this Offering Letter, including the Appendices hereto and in all notices given pursuant to this Offering Letter, capitalized words and phrases shall have the meanings given to them in this Offering Letter in their proper context, and words and phrases not otherwise defined in this Offering Letter but defined in Appendix C to this Offering Letter shall have the meanings given to them in Appendix C to this Offering Letter.

INTERPRETATION:

In this Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES:

\$36,000 payable upon provision of this Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

Held:

1. Accepted Offering Letter dated May 15, 2012.
2. Accepted Amending Offering Letters dated June 4, 2012, August 8, 2012, August 21, 2012, September 11, 2012, and October 22, 2012.
3. General Assignment of Book Debts.
4. \$75,000,000 Debenture with a floating charge over all assets of the Borrower with a negative pledge and undertaking to provide fixed charges on the Borrower's producing petroleum and natural gas properties at the request of the Bank, and pledge of such Debenture.
5. Evidence of insurance coverage in accordance with industry standards designating the Bank as first loss payee in respect of the proceeds of the insurance.
6. Appropriate title representation (Officer's Certificate as to Title) including a schedule of major petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (Working Interest or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances, and overrides.
7. Assignment of revenues and monies under material contracts, as applicable.

8. Legal Opinion of the Bank's counsel.

The Security has been registered in the Provinces of Alberta and Saskatchewan, in a first priority position, subject only to Permitted Encumbrances.

To Be Obtained:

1. Accepted Offering Letter dated December 31, 2012.
2. \$150,000,000 Supplemental Debenture with a floating charge over all assets of the Borrower with a negative pledge and undertaking to provide fixed charges on the Borrower's producing petroleum and natural gas reserves at the request of the Bank, and pledge of such Supplemental Debenture.
3. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**REPRESENTATIONS
AND WARRANTIES:**

Each Loan Party represents and warrants to the Bank (all of which representations and warranties each Loan Party hereby acknowledges are being relied upon by the Bank in entering into this Offering Letter) that:

1. Each Loan Party has been duly incorporated or formed, as applicable, and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property.
2. This Offering Letter constitutes, and the Security and related agreements shall constitute, legal, valid, and binding obligations of each Loan Party party thereto, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies.
3. Each Loan Party has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Offering Letter.
4. Each Loan Party is presently in good standing under, and shall duly perform and observe, all material terms of all documents, agreements, and instruments affecting or relating to the petroleum assets of such Loan Party.
5. There has been no adverse material change in the financial position of any Loan Party since the date of its most recent consolidated financial statements dated September 30, 2012, which were furnished to the Bank. Such consolidated financial statements fairly present the financial position of each Loan Party at the date that they were drawn up. No Loan Party foresees incurring any major liability which it has not already disclosed to the Bank.
6. No Loan Party is involved in any dispute or legal or regulatory proceedings likely to materially affect its financial position or its capacity to operate its business.
7. No Loan Party is in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including, without limitation, all Environmental Requirements subsequently stated in Environmental Obligations.
8. The Borrower has no subsidiaries.

9. The chief executive office (for the purposes of the PPSA) of each Loan Party is located in Alberta.
10. Each Loan Party has all the requisite power, authority and capacity to execute and deliver this Offering Letter and the Security (to which it is a party) and to perform its obligations hereunder and thereunder.
11. The execution and delivery of this Offering Letter and the Security (to which it is a party) and the performance of the terms of this Offering Letter and such Security do not violate the provisions of any Loan Party's constating documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it.
12. The execution, delivery and performance of the terms of this Offering Letter and the Security (to which it is a party) will not constitute a breach of any agreement to which any Loan Party or its property, assets or undertaking are bound or affected.
13. No Loan Party has incurred any indebtedness or obligations for borrowed money (other than as contemplated hereby or payables incurred in the ordinary course of business or as previously disclosed in writing to the Bank) and has not granted any security ranking equal with or in priority to the Security (other than Permitted Encumbrances).

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Offering Letter shall survive the execution of this Offering Letter and all Security, and shall be deemed to be repeated as of the date of each Advance and as of the date of delivery of each Compliance Certificate, subject to modifications made by the Borrower to the Bank in writing and accepted by the Bank. The Bank shall be deemed to have relied upon such representations and warranties at each such time as a condition of making an Advance hereunder or continuing to extend the Credit Facilities hereunder.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Offering Letter, the "Conditions Precedent"):

1. A Revolving Demand Credit Agreement in the face amount of \$42,000,000 duly executed and delivered to the Bank by the Borrower.
2. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
3. All fees due and payable to the Bank shall have been paid.
4. No Default or Event of Default shall exist.
5. No Material Adverse Effect has occurred with respect to any Loan Party or the Security.
6. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing

and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

**REPORTING
REQUIREMENTS:**

The Borrower shall submit to the Bank:

1. Monthly production and revenue reports in form and substance satisfactory to the Bank within 60 calendar days of each month end;
2. Quarterly unaudited consolidated financial statements and Compliance Certificate within 60 calendar days of each fiscal quarter end for the first three fiscal quarters of each fiscal year;
3. Annual audited consolidated financial statements and Compliance Certificate within 120 calendar days of each fiscal year end;
4. Annual independent engineering report in form and substance satisfactory to the Bank on the petroleum and natural gas reserves of the Borrower within 120 calendar days of each fiscal year end, prepared by a firm acceptable to the Bank;
5. Annual consolidated budget for the following fiscal year, including production, cash flow and capital expenditures forecasts, within 120 days of each fiscal year end; and
6. Any other information the Bank may reasonably require from time to time.

**AFFIRMATIVE
COVENANTS:**

Each Loan Party shall (each of the below being an "Affirmative Covenant"):

1. Carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws.
2. Maintain its corporate existence and comply with all applicable laws.
3. Pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations.
4. Comply with all regulatory bodies and provisions regarding environmental procedures and controls.
5. Upon reasonable notice, allow the Bank access to its books and records, and take excerpts therefrom or make copies thereof, and to visit and inspect its assets and place(s) of business.
6. Maintain adequate and appropriate insurance on its assets including protection against public liability, blow-outs, and "all-risk" perils.
7. Inform the Bank of any event or action which would have a Material Adverse Effect on its operational or financial affairs, including but not limited to the sale of assets, guarantees, funded debt from other lenders, or alteration of type of business.
8. Keep and maintain books of account and other accounting records in accordance with GAAP.

9. Maintain an Adjusted Working Capital Ratio of not less than 1.00:1.00 at all times.
10. Pay all amounts due and payable hereunder and pursuant to the Security in accordance with the respective terms hereof and thereof.
11. As soon as practicable following receipt by such Loan Party of a request by the Bank to provide fixed charge security over the producing petroleum and natural gas properties of such Loan Party (and in any event not more than 5 Business Days following such request), furnish or cause to be furnished to the Bank, at the sole cost and expense of such Loan Party, fixed charge security over such producing and natural gas properties of such Loan Party as are specified by the Bank, in the form of a supplemental instrument to the Security.
12. Observe the terms of and perform its obligations under this Offering Letter and the Security, and under any other agreements now or hereafter made with the Bank.
13. Utilize the Advances only for the applicable purposes stipulated herein.
14. Notify the Bank, without delay, of (a) any litigation or proceeding in which it is a party if an adverse decision therein would require it to pay more than \$2,100,000 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (b) the institution of any other suit or proceeding involving it that might materially and adversely affect its property, assets or undertaking, or its operations, financial conditions or business.
15. Notify the Bank, without delay, of any Default or Event of Default.
16. Obtain and maintain the licenses and permits required to operate its business unless failure to obtain such licenses and permits could not reasonably be expected to result in a Material Adverse Effect.
17. Provide the Bank with any information or document that it may reasonably require from time to time.

**NEGATIVE
COVENANTS:**

No Loan Party shall, without the prior approval of the Bank (each of the below being a "Negative Covenant"):

1. Allow a Change of Control.
2. Merge, amalgamate, consolidate, or wind up its assets, unless (i) such merger, amalgamation, consolidation or winding up is with another Loan Party and (ii) it has notified the Bank, without delay, of such merger, amalgamation, consolidation or winding up.
3. Reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares, unless such distribution, dividends, redemptions, and repurchases do not impair the capacity of such Loan Party to fulfil its obligations with respect to the Credit Facilities, including the repayment of all Credit Facilities; notwithstanding the foregoing, no Loan Party shall reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares when a Default or an Event of Default has occurred and is continuing or shall reasonably be expected to occur as a result of reducing or distributing capital or paying dividends or redeeming or repurchasing common or preferred shares, as the case may be.

4. Incur further secured indebtedness, pledge or encumber assets, or guarantee the obligations of others.
5. Make loans or investments, except to or in another Loan Party.
6. Sell or dispose of any assets subject to the Bank's Security in the aggregate of greater than \$2,100,000 each calendar year. This shall include sale/leaseback transactions on facilities.
7. Hedge or contract crude oil, natural gas liquids, or natural gas, on a fixed price basis, exceeding 60% of actual production volumes for the first 12 months from the date such contract is entered into, and 50% of actual production volumes thereafter.
8. Monetize or effect an early termination of any fixed price financial hedge or contract.
9. Make any material change in the nature of its business as carried on at the date hereof.
10. Utilize Advances to finance a hostile takeover.
11. Move its property, assets or undertaking outside the jurisdictions in which the Security is registered.
12. Move its chief executive office from Alberta.
13. Create, acquire or suffer to exist any subsidiary unless such subsidiary provides a guarantee and such other Security required by the Bank, in its sole discretion.
14. Experience a change in its executive management which, in the opinion of the Bank, acting in its sole discretion, has or may have a Material Adverse Effect.

**ENVIRONMENTAL
OBLIGATIONS:**

1. Each Loan Party shall comply with the requirements of all legislative and regulatory environmental provisions (the "Environmental Requirements") and shall at all times maintain the authorizations, permits, and certificates required under these provisions.
2. Each Loan Party shall immediately notify the Bank in the event a contaminant spill or emission occurs or is discovered with respect to its property, operations, or those of any neighbouring property. In addition, it shall report to the Bank forthwith any notice, order, decree, or fine that it may receive or be ordered to pay with respect to the Environmental Requirements relating to its business or property.
3. At the request of and in accordance with the conditions set forth by the Bank, each Loan Party shall, at its own cost, provide any information or document which the Bank may require with respect to its environmental situation, including any study or report prepared by a firm acceptable to the Bank. In the event that such studies or reports reveal that any Environmental Requirements are not being respected, the applicable Loan Party shall effect the necessary work to ensure that its business and property comply with the Environmental Requirements within a period acceptable to the Bank.
4. Each Loan Party undertakes to indemnify the Bank for any damage which the Bank may suffer or any liability which it may incur as a result of any non-compliance with the Environmental Requirements.

5. The provisions, undertakings, and indemnification set out in this section shall survive the satisfaction and release of the Security and payment and satisfaction of the indebtedness and liability of the Borrower to the Bank pursuant to the terms hereof.

EVENTS OF DEFAULT:

Notwithstanding that the Credit Facilities are on a demand basis, and without prejudice to the Bank's rights thereby, the following shall be considered events of default ("**Events of Default**"), upon the occurrence of which, or of a Default, the Bank may choose, in its sole discretion, to cancel all credit availability and to demand repayment of the Credit Facilities in full, together with outstanding accrued interest, fees and any other obligations of the Borrower to the Bank, and, without prejudice to the Bank's other rights and remedies, the Bank's Security shall become enforceable:

1. Immediately upon failure by any Loan Party to pay any instalment of principal, interest, fees, costs, incidental charges or any other amount payable hereunder or under any of the Security when due.
2. Any material representation or warranty contained in this Offering Letter, the Security, any certificate or any opinion delivered hereunder proves to be untrue.
3. Failure by any Loan Party to observe or comply with any Affirmative Covenant, Negative Covenant, Environmental Obligation, condition, or term as outlined herein, or in any Security document or underlying agreements delivered pursuant hereto (not otherwise specifically dealt with in this Events of Default Section).
4. In the opinion of the Bank, acting reasonably, a Material Adverse Effect in the financial condition of any Loan Party or to the operation of any Loan Party's assets has occurred.
5. If a petition is filed, an order is made or a resolution passed, or any other proceeding is taken for the winding up, dissolution, or liquidation of any Loan Party.
6. If proceedings are taken to enforce any encumbrance on the assets of any Loan Party having a value in the aggregate greater than \$2,100,000, excepting as long as such proceedings are being contested in good faith by such Loan Party and security satisfactory to the Bank has been provided to the Bank.
7. If any Loan Party ceases or threatens to cease to carry on its business, or if proceedings are commenced for the suspension of the business of any Loan Party, or if any proceedings are commenced under the Companies Creditors Arrangements Act (Canada) or under the Bankruptcy and Insolvency Act (Canada) (including filing a proposal or notice of intention) with respect to any Loan Party, or if any Loan Party commits or threatens to commit an act of bankruptcy, or if any Loan Party becomes insolvent or bankrupt or makes an authorized assignment pursuant to the Bankruptcy and Insolvency Act (Canada), or a bankruptcy petition is filed by or presented against any Loan Party.
8. If proceedings are commenced to appoint a receiver, receiver/manager, or trustee in respect of the assets of any Loan Party by a court or pursuant to any other agreement.
9. If any Loan Party is in default under the terms of any other contracts, agreements or writings with any other creditor having liens on the property of such Loan Party and such default could reasonably be expected to result in a Material Adverse Effect.
10. If the validity, enforceability or, where applicable, priority of this Offering Letter or any of the Security is prejudiced or endangered.

11. If an event of default under any of the Security occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any of the Security occurs.
12. If any event of default under any material agreement to which a Loan Party is a party occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any material agreement to which a Loan Party is a party occurs.
13. If the Bank in good faith believes and has commercially reasonable grounds to believe that the prospect of repayment of any Advance is or is about to be impaired or that the collateral secured by the Security is or is about to be placed in jeopardy.
14. If any Material Adverse Effect occurs.

**INTEREST ON
OVERDUE AMOUNTS:**

Notwithstanding any other provision of this Offering Letter, in the event that any amount due hereunder (including, without limitation, any interest payment) is not paid when due (whether by acceleration or otherwise), the Borrower shall and hereby agrees to pay to the Bank interest on such unpaid amount (including, without limitation, interest on interest), if and to the fullest extent permitted by applicable law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 10:00 a.m. at the place of payment on the date of such payment), and such interest shall accrue daily, be calculated and compounded on the last Business Day of each calendar month and be payable in the currency of the relevant Advance on demand, as well after as before maturity, default and judgment, at a rate per annum that is equal to: (i) the rate of interest then being charged on Prime Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in Canadian Dollars under such Credit Facility; and (ii) the rate of interest then being charged on Base Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in U.S. Dollars under such Credit Facility. The Borrower hereby waives, to the fullest extent it may do so under applicable law, any provisions of applicable law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

COSTS:

All reasonable third party expenses incurred by the Bank in connection with the Credit Facilities or this Offering Letter are for the account of the Borrower including, but not limited to, legal fees (on a solicitor and own client basis) and future engineering fees.

CHANGE OF LAWS:

Notwithstanding anything contained in this letter to the contrary, in the event that:

1. changes to any existing law or regulation or the introduction of any new law or regulation, or taxes other than income taxes, including, without limitation, a sales tax on loan transactions, or in the interpretation or administration thereof; or
2. compliance by the Bank with any request from or requirement of any central bank or other fiscal or monetary authority having jurisdiction over Canadian banks general (whether or not such request has the force of law);

cause the Bank to:

- a. incur any cost as a result of having entered into and/or performed its obligations hereunder and/or as a result of obligations or options remaining outstanding hereunder including, without limitation, any reserve or special deposit requirement or any payment on or calculated by reference to the amount of the Credit Facilities hereunder; or

- b. suffer a reduction in the rate of return on that part of its overall capital (not due to the rates of tax payable on their overall profits or net income) as a result of a requirement to attribute or allocate capital to the Credit Facilities or a Credit Facility provided hereunder in respect of that part of such Credit Facilities or Credit Facility which is for the time being undrawn as a result of a change in the manner in which the Bank is required to allocate resources to its obligations hereunder,

then the Bank reserves the right to increase the charges for the Credit Facilities or such Credit Facility provided hereunder by the amount of such additional cost of liability as determined by the Bank and the Borrower agrees that it will forthwith on demand pay to the Bank amounts sufficient to reimburse the Bank against such costs or liabilities.

CURRENT ACCOUNTS:

Each Loan Party shall maintain its current accounts at the Calgary Branch of the Bank through which it shall conduct all of its banking activities.

Regular Bank service charges shall apply in the day-to-day operations of each Loan Party's accounts.

FOREIGN EXCHANGE FLUCTUATIONS:

If the amount of outstanding Advances under any Credit Facility is on any day, due to exchange rate fluctuations, in excess of the maximum amount with respect to such Credit Facility, the Borrower shall within five (5) Business Days after receiving notice thereof repay such excess or otherwise reduce a portion of such Advances under the particular Credit Facility to the extent of the amount of the excess.

GENERAL:

Time is of the essence.

The terms and conditions of this Offering Letter between the Bank and each Loan Party are confidential and shall be treated accordingly.

Each Loan Party shall do all things and execute all documents deemed necessary or appropriate by the Bank for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

When a conflict or inconsistency exists between the Security and this Offering Letter, this Offering Letter shall govern to the extent necessary to remove such conflict or inconsistency. Notwithstanding the foregoing, if there is any right or remedy of the Bank set out in any of the Security or any part of which is not set out or provided for in this Offering Letter, such additional right shall not constitute a conflict or inconsistency.

ACCOUNT DEBITS:

Each Loan Party hereby irrevocably authorizes the Bank to debit periodically or from time to time, any bank account it may maintain at the Bank in order to pay all or part of the amounts any Loan Party may owe to the Bank hereunder.

PERSONAL PROPERTY SECURITY ACT (ALBERTA) REQUIREMENTS:

Each Loan Party hereby waives the requirement for the Bank to provide copies of Personal Property Security Act (Alberta) (collectively with the equivalent legislation in other jurisdictions, the "PPSA") registrations, verification statements, or financing statements undertaken by the Bank.

Each Loan Party hereby agrees to provide to the Bank written notice of a change in its name or address immediately.

ASSIGNMENT:

No rights or obligations of any Loan Party hereunder and no amount of the Credit Facilities may be transferred or assigned by any Loan Party, any such transfer or assignment being null and void insofar as the Bank is concerned and rendering any balance then outstanding of the loan immediately due and payable at the option of the Bank and releasing the Bank from any and all obligations of making any further advances hereunder.

DEMAND:

Notwithstanding any of the terms of this Offering Letter, all obligations of any Loan Party hereunder are repayable to the Bank at any time upon its demand.

ADJUSTMENTS:

Notwithstanding any maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee quoted herein, the Bank shall have the right to adjust such maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee, at the Bank's sole discretion.

NO OBLIGATION:

Upon the Bank's demand for repayment or upon the occurrence of a Default or an Event of Default, the Bank shall have no obligation or liability to make further advances under the Credit Facilities.

**ACCESS TO
INFORMATION:**

Each Loan Party hereby authorizes the Bank to use the necessary information pertaining to it which the Bank has or may have for the purpose of granting credit and insurance products (where permitted by law) and further authorize(s) the Bank to disclose such information to its affiliates and subsidiaries for this same purpose. Moreover, it hereby authorizes the Bank to obtain personal information pertaining to it from any party likely to have such information (credit or information bureau, financial institution, creditor, employer, tax authority, public entity, Persons with whom they might have business relations, and affiliates or Bank subsidiaries) in order to verify the accuracy of all information provided to the Bank and to ensure the solvency of each Loan Party at all times.

**ANTI-MONEY
LAUNDERING
LEGISLATION:**

Each Loan Party 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 Bank may be required to obtain, verify and record information regarding any Loan Party, its directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Loan Party, and the transactions contemplated hereby. Each Loan Party shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by the Bank, or any prospective assign or participant of the Bank, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

NOTICE:

Notices to be given under this Offering Letter, the Security or any other document in respect thereto any of Loan Party or the Bank shall, except as otherwise specifically provided, be in writing addressed to the party for whom it is intended. Notices shall be given by personal delivery or transmitted by facsimile and shall be deemed to be received on the Business Day of receipt (unless such delivery or transmission is received after 1:00 p.m. Mountain Time, in which case it shall be deemed to have been received on the following Business Day) unless the law deems a particular notice to be received earlier. The address for each Loan Party shall be the addresses currently recorded on the records of the Bank for such Loan Party, or such other mailing or facsimile addresses as such Loan Party may from time to time may notify the Bank as aforesaid. The address for the Bank shall be the Calgary Branch of the Bank or such other mailing or facsimile addresses as the Bank may from time to time may notify the Borrower as aforesaid.

**AUTHORIZATION
REGARDING
INSTRUCTIONS SENT
ELECTRONICALLY:**

Each Loan Party authorizes the Bank to do all things as authorized by such Loan Party even if such authorization is sent by fax or by e-mail and the Bank may deem such authorization valid and sufficient and the aforementioned presumption of accuracy shall apply to the authorization, whether it is required for transmitting information, a debit, issuing drafts or certified cheques or for any other purpose. Moreover, the Bank will not be held liable for any fees or delays which may be caused when an instruction is sent whether due to a technical problem attributable to the systems in use at the Bank or otherwise.

PAYMENTS:

Unless otherwise indicated herein, the obligation of each Loan Party to make all payments under this Offering Letter and the Security shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:

1. Any set-off, compensation, counterclaim, recoupment, defence or other right which such Loan Party may have against the Bank of anyone else for any reason whatsoever; or
2. Any insolvency, bankruptcy, reorganization or similar proceedings by or against such Loan Party.

All payments to be made under this Offering Letter shall be made in Canadian Dollars.

All payments made under this Offering Letter shall be made on or prior to 1:00 p.m. Mountain Time on the day such payment is due. Any payment received after 1:00 p.m. Mountain Time shall be deemed to have been received on the following day. Whenever a payment is due on a day which is not a Business Day, such due day shall be extended to the next Business Day and such extension of time shall be included in the computation of any interest payable.

SET-OFF:

The Bank shall have the right to set-off and apply any funds of any Loan Party deposited with or held by the Bank from time to time, and any other indebtedness owing to any Loan Party by the Bank, against any of the amounts outstanding under this Offering Letter from time to time.

JUDGMENT CURRENCY:

If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this Offering Letter it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgment Currency, then such conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, rate of

exchange means the rate at which the Bank would, on the relevant day, be prepared to sell a similar amount of such currency against the Judgment Currency.

RIGHTS AND REMEDIES

CUMULATIVE:

The rights, remedies and powers of the Bank under this Offering Letter, the Security, at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank, and no delay or omission in exercise of any such right, remedy or power shall exhaust such rights, remedies and powers to be construed as a waiver of any of them.

WAIVERS AND AMENDMENTS:

No term, provision or condition of this Offering Letter or any of the Security, may be waived, varied or amended unless in writing and signed by a duly authorized officer of the Bank.

INTEREST ACT (CANADA):

Any interest rate set forth in this Offering Letter based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such interest rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based. The Borrower hereby waives, to the fullest extent it may do so under law, any provisions of law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

GAAP / IFRS:

All financial statements required to be furnished by the Borrower to the Bank hereunder shall be prepared in accordance with GAAP. Each accounting term used in this Offering Letter, unless otherwise defined herein, has the meaning assigned to it under GAAP and, except as otherwise provided herein, reference to any balance sheet item, statement of income item or statement of cash flows item means such item as computed from the applicable financial statement prepared in accordance with GAAP. If there occurs a change in GAAP (an "Accounting Change"), including as a result of a conversion to International Financial Reporting Standards ("IFRS"), and such change would result in a change (other than an immaterial change) in the calculation of any financial covenant, standard or term used hereunder, then at the request of the Borrower or the Bank, the Borrower and the Bank shall enter into negotiations to amend such provisions so as to reflect such Accounting Change with the result that the criteria for evaluating the financial condition of the Borrower or any other party, as applicable, shall be the same after such Accounting Change, as if such Accounting Change had not occurred. If, however, within 30 days of the foregoing request by the Borrower or the Bank, the Borrower and the Bank have not reached agreement on such amendment, the method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change.

GOVERNING LAW:

This Offering Letter shall be construed and governed in accordance with the laws of the Province of Alberta. Each Loan Party irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta and all courts competent to hear appeals therefrom.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Offering Letter as a "Review"). The next Review is scheduled on or before May 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

This Offering Letter is open for acceptance until January 10, 2013 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

If the foregoing terms and conditions are acceptable, please sign two copies of this Offering Letter and return one copy to the Bank by the Expiry Date. This Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Offering Letter shall be deemed to be valid execution and delivery of this Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA



Luke Puxley
Director
Energy Group



David K. Forsyth
Managing Director
Energy Group

an
Enclosure
P:\Data\CLIENTS\X2B - Puxley L\Palliser Oil & Gas Corporation\Credit\2013\Commitment 0113.DOC

AGREED AND ACCEPTED this 3 day of Jan, 2013.

PALLISER OIL & GAS CORPORATION

Per: 

Per: 

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Luke Puxley (403) 294-4958 (403) 294-3078 luke.puxley@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com

APPENDIX B

COMPLIANCE CERTIFICATE

To: National Bank of Canada
311 – 6 Avenue SW, Suite 1800
Calgary, AB

I _____, of the City of _____, in the Province of _____, hereby certify as at the date of this Certificate as follows:

1. I am the _____ of Palliser Oil & Gas Corporation (the "Borrower") and I am authorized to provide this Certificate to you for and on behalf of the Borrower;
2. This Certificate applies to the fiscal quarter ended _____, _____;
3. I am familiar with and have examined the provisions of the Offering Letter dated _____, _____ between the Borrower and National Bank of Canada and I have made such investigations of corporate records and inquiries of other officers and senior personnel of each Loan Party as I have deemed reasonably necessary for purposes of the Certificate;
4. As of the date hereof, the Borrower confirms that all of its subsidiaries (if any) are Loan Parties.
5. The representations and warranties set forth in the Offering Letter are in all material respects true and correct on the date hereof;
6. No Default or Event of Default has occurred and is continuing of which we are aware;
7. As required, I have calculated the Adjusted Working Capital Ratio for the fiscal quarter ended as follows:

_____ : 1.00; and
8. All relevant calculations and financial statements are attached.

Except where the context otherwise requires, all capitalized terms used herein have the same meanings as given thereto in the Offering Letter.

This Certificate is given by the undersigned officer in their capacity as an officer of the Borrower without any personal liability on the part of such officer.

Executed at the City of _____, in the Province of _____ this _____ day of _____, 20__.

Yours truly,

PALLISER OIL & GAS CORPORATION

Per: _____
Name:
Title:

PALLISER OIL & GAS CORPORATION

COMPLIANCE CERTIFICATE

Calculation of Adjusted Working Capital Ratio

Current Assets

Current assets	\$
Less: Unrealized Hedging Gains	()
Add: Undrawn Availability under Credit Facility A	<u> </u>
	<u>\$ (A)</u>

Current Liabilities

Current liabilities	\$
Less: Unrealized Hedging Losses	()
Less: Current Portion of Bank Debt	()
	<u>\$ (B)</u>

Adjusted Working Capital Ratio calculated as follows:

$$\frac{A}{B} =$$

APPENDIX C

DEFINITIONS

In the Offering Letter, including all Appendices to the Offering Letter, and in all notices given pursuant to the Offering Letter, unless something in the subject matter or context is inconsistent therewith, capitalized words and phrases shall have the meanings given to them in the Offering Letter in their proper context, and capitalized words and phrases not otherwise defined in the Offering Letter shall have the following meanings:

"Adjusted Working Capital Ratio" means the ratio of (i) Current Assets plus undrawn Availability under Credit Facility A to (ii) Current Liabilities.

"Advance" means an advance of funds made by the Bank under a Credit Facility to the Borrower, or if the context so requires, an advance of funds under one or more of the Credit Facilities or under one or more of the availability options of one or more of the Credit Facilities, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding Prime Rate Loans and Base Rate Loans, plus the Face Amount of all outstanding BAs and the stated amount of all L/C/Gs as applicable.

"Appendix" means an appendix to the Offering Letter.

"Applicable Margin" means, at any time, a margin, expressed as a rate per annum based on a 365 or 366 day period, as the case may be, for Prime Rate Loans, Base Rate Loans and payment of Standby Fees and L/C/G Fees, or based on a 365 day period in the case of Stamping Fees, and in any case payable to the Bank, as set out in the Pricing Grid for Facility A under the then Net Debt to Cash Flow Ratio applicable to the type of Advance.

"Availability" has the meaning ascribed to such term under the section heading "Availability", with respect to the applicable Credit Facility.

"bps" means one one-hundredth of one percent.

"Business Day" means a day on which banks are open for business in Calgary, Alberta, Montreal, Quebec and Toronto, Ontario; but does not, in any event, include a Saturday or Sunday.

"Calgary Branch of the Bank" means the branch of the Bank at 301 – 6 Avenue SW, Calgary, AB T2P 4M9, fax (403) 294-4965, or such other address as the Bank may notify the Borrower from time to time.

"Canadian Dollars", "Cdn Dollars", "Cdn\$", "CA\$" and "\$" mean the lawful money of Canada.

"Capital Lease" means, with respect to any Person, any lease or other arrangement relating to real or personal property which should, in accordance with GAAP, be accounted for as a capital lease on a balance sheet of such Person but excluding any lease that would in accordance with GAAP be determined to be an operating lease.

"Cash Flow" means, at any time, the annualized cash flow of the Borrower on a consolidated basis for the most recent fiscal quarter as determined from its quarterly financial statements for that fiscal quarter, which for certainty means an annualized aggregate amount expressed in Canadian Dollars of the sum, without duplication, of its:

- (a) net earnings (but excluding from the determination of net earnings, non-cash income, unrealized mark to market gains, Capital Lease payments, any abandonment costs paid in cash, cash taxes and any extraordinary or nonrecurring earnings, gains, and losses);
- (b) depletion, depreciation, accretion and amortization;
- (c) exploration and evaluation expenses to the extent deducted from Net Income;
- (d) future income taxes; and
- (e) other charges to operations not requiring a current cash payment,

it being acknowledged that such annualized cash flow shall be adjusted for such other amounts as reasonably requested by the Bank during such fiscal quarter.

"Change of Control" means the occurrence of any of the following events, with respect to any Loan Party:

- (a) any Person or Persons acting jointly or in concert (within the meaning of the Securities Act (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or has the right to acquire or control or exercise direction over (whether such right is exercisable immediately or only after the passage of time) more than 20% of the issued and outstanding Voting Shares of such Loan Party; or
- (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of such Loan Party cease, for any reason, to constitute at least a majority of the board of directors of such Loan Party unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the "Incumbent Directors") and in particular, any new director who assumes office in connection with or as a result of any actual or threatened proxy or other election contest of the board of directors of the Borrower shall never be an Incumbent Director; or
- (c) such Loan Party ceases to own, control or direct 100% of the Voting Shares of a subsidiary.

"Compliance Certificate" means a certificate of an officer of the Borrower signed on its behalf by the president, chief executive officer, chief operating officer, chief financial officer or any vice president of the Borrower, substantially in the form annexed hereto as Appendix B, to be given to the Bank by the Borrower from time to time pursuant to the Offering Letter.

"Credit Facilities" means the credit facility(ies) (and the risk management facility) to be made available to the Borrower by the Bank in accordance with the provisions of the Offering Letter.

"Current Assets" means, as at any date of determination, the current assets of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding the impact of any Unrealized Hedging Gains.

"Current Liabilities" means, as at any date of determination, the current liabilities of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding: (i) Current Portion of Bank Debt; and (ii) the impact of any Unrealized Hedging Losses.

"Current Portion of Bank Debt" means any current liabilities under the Credit Facilities other than those that arise due to total advances under a Credit Facility exceeding the maximum amount of such Credit Facility, whether by reduction of maximum amount, fluctuations in exchange rates, or due to mandatory repayments, or due to the occurrence of a Default or an Event of Default, or due to the Bank's demand for repayment.

"Debt" means, as at any date of determination, all obligations, liabilities and indebtedness of the Borrower which would, in accordance with generally accepted accounting principles, be classified upon a consolidated balance sheet of the Borrower for such date as indebtedness for borrowed money and, without limiting the generality of the foregoing, whether or not so classified, shall include (without duplication):

- (a) obligations under BAs;
- (b) issued and drawn L/C/Gs;
- (c) obligations under guarantees, indemnities, or such other agreements providing financial assistance;
- (d) Capital Leases or sales/lease-backs;
- (e) obligations under deferred purchase price agreements;
- (f) deferred revenues relating to third party obligations;
- (g) the redemption amount of any capital where the holder of such capital has the option to require the redemption of such capital for cash or property and payment of the redemption amounts;
- (h) any distributions declared but not yet paid; and
- (i) all mark to market losses under any Financial Instruments that are due and owing.

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

"Face Amount" means (i) in respect of a BA, the amount payable to the holder thereof on its maturity, and (ii) in respect of a L/C/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C/G.

"Federal Funds Effective Rate" means, on any day, the rate of interest per annum for that day set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (the "H.15(519)") opposite the caption "Federal Funds (Effective)" and, if on any day such rate is not yet published in H. 15(519), the rate for such day will be the rate set forth in the Composite 3:30 p.m. Quotations for US Government Securities, or any successor publication, for such day published by the Federal Reserve Board (the "Composite 3:30 p.m. Quotations") under the caption "Federal Funds Effective Rate"; provided that if such rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, such rate will be the average of the interest rates per annum quoted for such day on overnight Federal funds (such words to have the meaning generally given to them by money market brokers of recognized standing doing business in the United States of America) transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank;

"Financial Instrument" means any currency swap agreement, cross-currency agreement, interest swap agreement, agreement for the making or taking of delivery of any commodity, commodity swap agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar risk management agreement or arrangement, or any combination thereof, to be entered into by the Borrower where (i) the subject matter of the same is interest rates or the price, value or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt) (ii) the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates as in effect from time to time, or (iii) the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity.

"Generally Accepted Accounting Principles" or **"GAAP"** means generally accepted accounting principles consistently applied which are in effect from time to time, as published in the Handbook of the Canadian Institute of Chartered Accountants and other primary sources recognized from time to time by the Canadian Institute of Chartered Accountants.

"ISDA Master Agreement" means an International Swap and Derivatives Association, Inc. Master Agreement (Multi Currency - Cross-Border) as from time to time amended, restated or replaced by the International Swap and Derivatives Association, Inc., including the schedule thereto and any confirmation thereunder as entered into by the Borrower with any counterparty thereto.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition, operations, assets or capitalization of the Borrower on a consolidated basis and taken as a whole;
- (b) the ability of any Loan Party to pay or perform the obligations under this Offering Letter or the ability of any Loan Party to pay or perform any of its obligations or contingent obligations under any Security or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (c) the ability of any Loan Party to perform its obligations under any material contract, if it would also have a material adverse effect on the ability of such Loan Party to pay or perform its obligations under this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (d) the validity or enforceability of this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security; and

- (e) the priority ranking of any security interests granted by this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security, or the rights or remedies intended or purported to be granted to the Bank under or pursuant to this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security.

"Net Debt" means at any time, on a consolidated basis, the aggregate amount (without duplication) expressed in Canadian Dollars of (a) Working Capital Deficit plus (b) Debt.

"Net Debt to Cash Flow Ratio" means at any time, the ratio of (i) Net Debt to (ii) Cash Flow.

"Offering Letter" means the offering letter to which this appendix is appended, and any appendices thereto, as amended, supplemented, modified, restated or replaced from time to time.

"Permitted Contest" means action taken by a Loan Party in good faith by the appropriate proceedings diligently pursued to contest a tax, claim or security interest, provided that:

- (a) such Loan Party has established reasonable reserves therefor in accordance with GAAP;
- (b) proceeding with such contest does not have, and would 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 property, assets or undertaking of any Loan Party.

"Permitted Encumbrance" means at any particular time any of the following encumbrances on the property or any part of the property of any Loan Party:

- (a) liens for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (b) liens under or pursuant to any judgment rendered, or claim filed, against a Loan Party, which such Loan Party shall be contesting at the time by a Permitted Contest;
- (c) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law against any Loan Party or which relate to obligations not due or delinquent, or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (d) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil and other pipelines, gas and water mains, electric light and power and telecommunication, telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which individually or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of any Loan Party;
- (e) security given by any Loan Party 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 such Loan Party, 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 any Loan Party;
- (f) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (g) security interests in favour of the Bank securing the obligations of any Loan Party under the Offering Letter or the Security;

- (h) the Security;
- (i) liens incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or operation of petroleum or natural gas interests, related production or processing facilities in which such Person has an interest or the transmission of petroleum or natural gas as security in favour of any other Person conducting the exploration, development, operation or transmission 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 that such costs or expenses are not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (j) liens for penalties arising under non-participation or independent operations provisions of operating or similar agreements in respect of any Loan Party's petroleum or natural gas interests, provided that such liens do not materially detract from the value of any material part of the property of any Loan Party;
- (k) 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 petroleum or natural gas interests of any Loan Party;
- (l) any encumbrance or agreement entered into in the ordinary course of business relating to pooling or a plan of unitization affecting the property of any Loan Party, or any part thereof;
- (m) the right reserved or vested in any municipality or governmental or other public authority by the terms of any petroleum or natural gas leases or similar agreements in which any Loan Party has any interest or by any statutory provision to terminate petroleum or natural gas leases or similar agreements in which any Loan Party has any interest, or to require annual or other periodic payments as a condition of the continuance thereof;
- (n) obligations of any Loan Party to deliver petroleum, natural gas, chemicals, minerals or other products to buyers thereof in the ordinary course of business; and
- (o) royalties, net profits and other interests and obligations arising in accordance with standard industry practice and in the ordinary course of business, under petroleum or natural gas leases or similar agreements in which any Loan Party has any interest.

"Person" or "person" means and includes an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

"Prime Rate" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in Canadian Dollars made by the Bank in Canada; and
- (b) the average annual rate (rounded upwards, if necessary, to 0.01%) as determined by the Bank as being the average of the "BA 1 month" CDOR Rate applicable to bankers' acceptances in Canadian Dollars displayed and identified as such on the "Reuters Screen CDOR Page" (as defined in the International Swap and Derivatives Association, Inc. definitions, as modified and amended from time to time) plus 1.00%; provided that if such rates do not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic average of the 30-day discount rates applicable to bankers' acceptances in Canadian Dollars quoted by three major Canadian Schedule I chartered banks chosen by the Bank as of approximately 10:00 a.m. on such day, or if such day is not a Business Day, then on the immediately preceding Business Day.

"Retractable Preferred Shares" means preferred shares of the Borrower which are retractable at the option of the holder.

"Stamping Fee" means, at any time, a margin, expressed as a rate per annum based on a 365 day period, charged by the Bank for accepting and stamping BAs.

"Unrealized Hedging Gains" means mark to market unrealized gains in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"Unrealized Hedging Losses" means mark to market unrealized losses in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"U.S. Base Rate" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in U.S.\$ made by the Bank in Canada; and
- (b) the Federal Funds Effective Rate in effect from time to time multiplied by 365/366, plus a margin on one half (1/2) of one (1) percent (0.50%).

"U.S. Dollar" and the symbol "U.S.\$" each means lawful money of the United States of America in same day immediately available funds and, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due.

"Voting Shares" means:

- (a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

provided that subparagraph (ii) above shall not include voting rights created solely by statute, such as those rights created pursuant to section 183(4) of the Business Corporations Act (Alberta) as in effect on the date of the Offering Letter;

- (b) in respect of a trust, trust units of the trust:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;
- (c) in respect of a partnership, the partnership interests or partnership units:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and is continuing.

"Working Capital Deficit" means Current Liabilities minus Current Assets.



RECEIVED

APR 04 2013

Writer's Direct Line
(403) 294-4958

March 27, 2013

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated December 31, 2012, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

DRAWDOWN AMOUNT: \$3,500,000.

PURPOSE: To assist in development capital expenditures at Edam and Manitou, SK.

REPAYMENT: Principal repayments of \$150,000/month commencing May 1, 2013.

CREDIT FACILITY FEE: \$17,500, payable at drawdown commitment.

CONDITIONS PRECEDENT TO FUNDING: In addition to all other Conditions Precedent set out in this Amending Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:

1. Variable Rate Demand Promissory Note in the face amount of \$3,500,000;
2. Engineering report of the petroleum reserves to be developed (received);
3. Satisfactory evidence of title to petroleum and natural gas properties subject to the Security; and

4. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable (received).

FOR ALL CREDIT FACILITIES

INTERPRETATION:

In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated March 27, 2013.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. All fees due and payable to the Bank shall have been paid.
3. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before May 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:


This Amending Offering Letter is open for acceptance until April 4, 2013 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

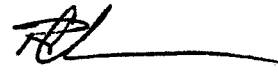
If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA

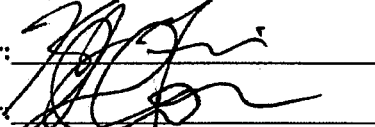


Luke Puxley
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 2 day of April, 2013.

PALLISER OIL & GAS CORPORATION

Per: 
Per: 

Ivan J. Condic, CA
Vice President, Finance & CFO

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Luke Puxley (403) 294-4958 (403) 294-3078 luke.puxley@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com

311 - 6 Avenue SW, Suite 1800
Calgary, AB T2P 3H2
Branch address

2013 04 04
Date (YYYY MM DD)

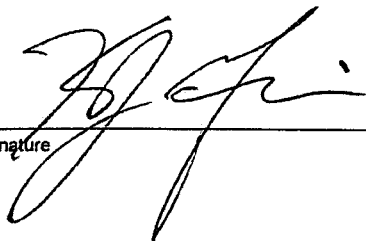
\$ 3 500 000,00
Amount


ON DEMAND, I promise to pay to the order of NATIONAL BANK OF CANADA the sum of Three Million Five Hundred Thousand -----00 /100 dollars with interest payable monthly at the Bank's prime rate* plus 1.50 per cent per annum up to and after maturity, until fully paid, plus minimum charges of \$10, at the above National Bank of Canada branch. The prime rate as at the date of this note is 3.0 per cent per annum.

I acknowledge that value has been received as consideration for this note.

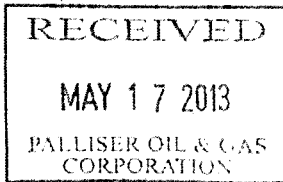
* **Prime rate:** The annual variable interest rate posted by National Bank of Canada from time to time, which is used to determine the interest rate on loans in Canadian dollars made in Canada.

PALLISER OIL & GAS CORPORATION


Signature


Signature

Ivan J. Condic, CA
Vice President, Finance & CFO



RECEIVED

MAY 22 2013

Writer's Direct Line
(403) 294-4958

May 16, 2013

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions set out herein. This Offering Letter contains all the terms and conditions pertaining to the availability of Credit Facilities from National Bank of Canada and as a result it amends, incorporates, and restates the terms and conditions of all existing and new commitments.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY A: REVOLVING OPERATING DEMAND LOAN (the "Credit Facility A").

MAXIMUM AMOUNT: \$42,000,000.

PURPOSE: Credit Facility A shall only be used for the Borrower's general corporate purposes including capital expenditures and to pay out existing Advances on the Credit Facility B.

AVAILABILITY: Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$100,000.

Bankers' acceptances ("BAs") in Canadian dollars.

Letters of credit and/or letters of guarantee ("L/C/Gs") (maximum term one year). The aggregate Face Amount of L/C/Gs issued and outstanding at any time limited to \$1,500,000 in any currency acceptable to the Bank.

REPAYMENT: Interest only but always subject to Availability, Review, and the Bank's right of demand.

INTEREST RATE:

Prime Rate Loans

The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility A at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one percent (Prime Rate + 1.00% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.

As of this date, the Bank's Prime Rate is 3.00% per annum.

Canadian Dollar BAs

Subject to market availability, in multiples of \$100,000 and minimum draws of \$1,000,000, BAs at a Stamping Fee of two and one-quarter percent per annum (2.25% p.a.) and calculated on the basis of the number of days elapsed in a 365 day year, payable at time of acceptance by the Bank. BAs shall have a minimum term of 30 days and maximum term of 90 days, and shall not include any days of grace. The BAs shall remain in effect until the maturity of the term selected. If the Bank does not receive written instructions from the Borrower concerning renewal of the BAs, then Prime Rate Loans shall be automatically utilized until written instructions are received from the Borrower.

STANDBY FEE:

One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility A (the "Standby Fee"), payable monthly on the first Business Day of each month.

L/C/G FEE:

One and one-half percent per annum (1.50% p.a.), based on a 365 or 366 day period, as the case may be, of the issue amount, payable at issue (the "L/C/G Fee"). This non-refundable, upfront fee is to be based on the number of months the L/C/G is to be outstanding with any portion of 31 days to be considered a complete month.

**DRAWDOWN,
NOTIFICATION,
AND CONVERSION:**

All Advances under Credit Facility A may only be drawn on a day that is a Business Day.

Prime Rate Loans

As required.

Canadian Dollar BAs

The Borrower shall provide two Business Days written notice to the Bank for Advances of BAs, notice to be received no later than 9:00 a.m. Mountain Time. The Borrower shall also provide two Business Days written notice for conversion of BAs at maturity to Prime Rate Loans.

EVIDENCE OF DEBT:

Revolving Demand Credit Agreement, Power of Attorney Form and Acknowledgement for Bankers' Acceptances, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

- CREDIT FACILITY B:** ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").
- MAXIMUM AMOUNT:** \$10,000,000.
- PURPOSE:** Credit Facility B shall only be used by the Borrower to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.
- AVAILABILITY:** Prime Rate loans ("Prime Rate Loans") in Canadian dollars, available by way of multiple draws subject to prior engineering review by the Bank utilizing the Bank's normal lending parameters accorded to the proved producing petroleum and natural gas reserves being acquired and/or evidence of capital expenditures on approved development of proved non-producing/undeveloped reserves.
- REPAYMENT:** Subject to Availability, Review, and the Bank's right of demand, monthly principal repayments over the half-life of the reserves being financed, as determined by the Bank. Repayment to commence the month following drawdown.
- INTEREST RATE:** The Borrower shall pay interest calculated daily and payable monthly, not in advance, on the outstanding principal amount of Prime Rate Loans drawn under the Credit Facility B at a rate per annum equal to the Prime Rate as designated from time to time by the Bank plus one and one-half percent (Prime Rate + 1.50% p.a.). Interest at the aforesaid rate shall be due and payable on the 26th day of each and every month until all amounts owing to the Bank are paid in full. Interest shall be paid via automatic debit to the Borrower's account at the Calgary Branch of the Bank.
- As of this date, the Bank's Prime Rate is 3.00% per annum.
- CREDIT FACILITY FEE:** One-half percent (0.50%) on the amount of each Advance drawn on the Credit Facility B, due and payable at the commitment for such Advance. Non-refundable.
- STANDBY FEE:** One-quarter percent per annum (0.25% p.a.), based on a 365 or 366 day period, as the case may be, on the undrawn portion of the Credit Facility B (the "Standby Fee"), payable monthly on the first Business Day of each month.
- CONDITIONS PRECEDENT TO FUNDING:** In addition to all other Conditions Precedent set out in this Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:
1. Copy of the executed purchase and sale agreement and any related conveyance, as applicable;
 2. Variable Rate Demand Promissory Note in the face amount to be drawn;
 3. Engineering report of the petroleum reserves to be purchased or developed;
 4. Satisfactory evidence of title to petroleum and natural gas properties subject to the Security;
 5. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable; and
 6. Corporate projections of balance sheet and income statement for the contemplated acquisition, as applicable.
- EVIDENCE OF DEBT:** Variable Rate Demand Promissory Note and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

CREDIT FACILITY C: **MASTERCARD FACILITY (the "Credit Facility C").**

MAXIMUM AMOUNT: \$50,000.

PURPOSE: Credit Facility C shall only be used by the Borrower to facilitate travel, entertainment, and supplier expenses for company officers.

REPAYMENT: Payment in full, monthly.

INTEREST RATE: Standard rates as established from time to time by MasterCard.

EVIDENCE OF DEBT: MasterCard monthly statements and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

RISK MANAGEMENT FACILITY (the "Risk Management Facility")

PURPOSE: Risk Management Facility shall be used by the Borrower for Financial Instruments.

AVAILABILITY: Various Financial Instruments. Maximum term 26 months. Subject to Bank availability and including a cross default limit of \$250,000.

SETTLEMENT: Settlement as per contract maturities.

EVIDENCE OF USAGE: Executed treasury contracts, executed ISDA Master Agreement with appropriate annexes, other documentation acceptable to the Bank, and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Offering Letter.

FOR ALL CREDIT FACILITIES

DEFINITIONS: In this Offering Letter, including the Appendices hereto and in all notices given pursuant to this Offering Letter, capitalized words and phrases shall have the meanings given to them in this Offering Letter in their proper context, and words and phrases not otherwise defined in this Offering Letter but defined in Appendix C to this Offering Letter shall have the meanings given to them in Appendix C to this Offering Letter.

INTERPRETATION: In this Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

FEES: \$104,000 payable upon provision of this Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

Held:

1. Accepted Offering Letter dated December 31, 2012.
2. Accepted Amending Offering Letter dated March 27, 2013.
3. General Assignment of Book Debts.
4. \$75,000,000 Debenture with a floating charge over all assets of the Borrower with a negative pledge and undertaking to provide fixed charges on the Borrower's producing petroleum and natural gas properties at the request of the Bank, and pledge of such Debenture.
5. \$150,000,000 Supplemental Debenture with a floating charge over all assets of the Borrower with a negative pledge and undertaking to provide fixed charges on the Borrower's producing petroleum and natural gas reserves at the request of the Bank, and pledge of such Supplemental Debenture.
6. Evidence of insurance coverage in accordance with industry standards designating the Bank as first loss payee in respect of the proceeds of the insurance.
7. Appropriate title representation (Officer's Certificate as to Title) including a schedule of major petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (Working Interest or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances, and overrides.
8. Assignment of revenues and monies under material contracts, as applicable.
9. Legal Opinion of the Bank's counsel.

The Security has been registered in the Provinces of Alberta and Saskatchewan, in a first priority position, subject only to Permitted Encumbrances.

To Be Obtained:

1. Accepted Offering Letter dated May 16, 2013.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**REPRESENTATIONS
AND WARRANTIES:**

Each Loan Party represents and warrants to the Bank (all of which representations and warranties each Loan Party hereby acknowledges are being relied upon by the Bank in entering into this Offering Letter) that:

1. Each Loan Party has been duly incorporated or formed, as applicable, and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property.
2. This Offering Letter constitutes, and the Security and related agreements shall constitute, legal, valid, and binding obligations of each Loan Party party thereto, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies.
3. Each Loan Party has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Offering Letter.
4. Each Loan Party is presently in good standing under, and shall duly perform and observe, all material terms of all documents, agreements, and instruments affecting or relating to the petroleum assets of such Loan Party.
5. There has been no adverse material change in the financial position of any Loan Party since the date of its most recent consolidated financial statements dated December 31, 2012, which were furnished to the Bank. Such consolidated financial statements fairly present the financial position of each Loan Party at the date that they were drawn up. No Loan Party foresees incurring any major liability which it has not already disclosed to the Bank.
6. No Loan Party is involved in any dispute or legal or regulatory proceedings likely to materially affect its financial position or its capacity to operate its business.
7. No Loan Party is in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including, without limitation, all Environmental Requirements subsequently stated in Environmental Obligations.
8. The Borrower has no subsidiaries.
9. The chief executive office (for the purposes of the PPSA) of each Loan Party is located in Alberta.
10. Each Loan Party has all the requisite power, authority and capacity to execute and deliver this Offering Letter and the Security (to which it is a party) and to perform its obligations hereunder and thereunder.
11. The execution and delivery of this Offering Letter and the Security (to which it is a party) and the performance of the terms of this Offering Letter and such Security do not violate the provisions of any Loan Party's constating documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it.
12. The execution, delivery and performance of the terms of this Offering Letter and the Security (to which it is a party) will not constitute a breach of any agreement to which any Loan Party or its property, assets or undertaking are bound or affected.

13. No Loan Party has incurred any indebtedness or obligations for borrowed money (other than as contemplated hereby or payables incurred in the ordinary course of business or as previously disclosed in writing to the Bank) and has not granted any security ranking equal with or in priority to the Security (other than Permitted Encumbrances).

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Offering Letter shall survive the execution of this Offering Letter and all Security, and shall be deemed to be repeated as of the date of each Advance and as of the date of delivery of each Compliance Certificate, subject to modifications made by the Borrower to the Bank in writing and accepted by the Bank. The Bank shall be deemed to have relied upon such representations and warranties at each such time as a condition of making an Advance hereunder or continuing to extend the Credit Facilities hereunder.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. All fees due and payable to the Bank shall have been paid.
3. No Default or Event of Default shall exist.
4. No Material Adverse Effect has occurred with respect to any Loan Party or the Security.
5. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

**REPORTING
REQUIREMENTS:**

The Borrower shall submit to the Bank:

1. Monthly production and revenue reports in form and substance satisfactory to the Bank within 60 calendar days of each month end;
2. Quarterly unaudited consolidated financial statements and Compliance Certificate within 60 calendar days of each fiscal quarter end for the first three fiscal quarters of each fiscal year;
3. Annual audited consolidated financial statements and Compliance Certificate within 120 calendar days of each fiscal year end;
4. Annual independent engineering report in form and substance satisfactory to the Bank on the petroleum and natural gas reserves of the Borrower within 120 calendar days of each fiscal year end, prepared by a firm acceptable to the Bank;

5. Annual consolidated budget for the following fiscal year, including production, cash flow and capital expenditures forecasts, within 120 days of each fiscal year end; and
6. Any other information the Bank may reasonably require from time to time.

**AFFIRMATIVE
COVENANTS:**

Each Loan Party shall (each of the below being an "Affirmative Covenant"):

1. Carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws.
2. Maintain its corporate existence and comply with all applicable laws.
3. Pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations.
4. Comply with all regulatory bodies and provisions regarding environmental procedures and controls.
5. Upon reasonable notice, allow the Bank access to its books and records, and take excerpts therefrom or make copies thereof, and to visit and inspect its assets and place(s) of business.
6. Maintain adequate and appropriate insurance on its assets including protection against public liability, blow-outs, and "all-risk" perils.
7. Inform the Bank of any event or action which would have a Material Adverse Effect on its operational or financial affairs, including but not limited to the sale of assets, guarantees, funded debt from other lenders, or alteration of type of business.
8. Keep and maintain books of account and other accounting records in accordance with GAAP.
9. Maintain an Adjusted Working Capital Ratio of not less than 1.00:1.00 at all times.
10. Pay all amounts due and payable hereunder and pursuant to the Security in accordance with the respective terms hereof and thereof.
11. As soon as practicable following receipt by such Loan Party of a request by the Bank to provide fixed charge security over the producing petroleum and natural gas properties of such Loan Party (and in any event not more than 5 Business Days following such request), furnish or cause to be furnished to the Bank, at the sole cost and expense of such Loan Party, fixed charge security over such producing and natural gas properties of such Loan Party as are specified by the Bank, in the form of a supplemental instrument to the Security.
12. Observe the terms of and perform its obligations under this Offering Letter and the Security, and under any other agreements now or hereafter made with the Bank.
13. Utilize the Advances only for the applicable purposes stipulated herein.

14. Notify the Bank, without delay, of (a) any litigation or proceeding in which it is a party if an adverse decision therein would require it to pay more than the Basket Amount or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (b) the institution of any other suit or proceeding involving it that might materially and adversely affect its property, assets or undertaking, or its operations, financial conditions or business.
15. Notify the Bank, without delay, of any Default or Event of Default.
16. Obtain and maintain the licenses and permits required to operate its business unless failure to obtain such licenses and permits could not reasonably be expected to result in a Material Adverse Effect.
17. Provide the Bank with any information or document that it may reasonably require from time to time.

**NEGATIVE
COVENANTS:**

No Loan Party shall, without the prior approval of the Bank (each of the below being a "Negative Covenant"):

1. Allow a Change of Control.
2. Merge, amalgamate, consolidate, or wind up its assets, unless (i) such merger, amalgamation, consolidation or winding up is with another Loan Party and (ii) it has notified the Bank, without delay, of such merger, amalgamation, consolidation or winding up.
3. Reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares, unless such distribution, dividends, redemptions, and repurchases do not impair the capacity of such Loan Party to fulfil its obligations with respect to the Credit Facilities, including the repayment of all Credit Facilities; notwithstanding the foregoing, no Loan Party shall reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares when a Default or an Event of Default has occurred and is continuing or shall reasonably be expected to occur as a result of reducing or distributing capital or paying dividends or redeeming or repurchasing common or preferred shares, as the case may be.
4. Incur further secured indebtedness, pledge or encumber assets, or guarantee the obligations of others.
5. Make loans or investments, except to or in another Loan Party.
6. Sell or dispose of any assets subject to the Bank's Security in the aggregate of greater than the Basket Amount between each Review. This shall include sale/leaseback transactions on facilities.
7. Hedge or contract any of (i) crude oil, (ii) natural gas liquids, or (iii) natural gas, on a fixed price basis, exceeding 60% of actual production volumes for the first 12 months from the date such contract is entered into, and 50% of actual production volumes thereafter, for such commodity.
8. Monetize or effect an early termination of any fixed price financial hedge or contract.
9. Make any material change in the nature of its business as carried on at the date hereof.

10. Utilize Advances to finance a hostile takeover.
11. Move its property, assets or undertaking outside the jurisdictions in which the Security is registered.
12. Move its chief executive office from Alberta.
13. Create, acquire or suffer to exist any subsidiary unless such subsidiary provides a guarantee and such other Security required by the Bank, in its sole discretion.
14. Experience a change in its executive management which, in the opinion of the Bank, acting in its sole discretion, has or may have a Material Adverse Effect.

**ENVIRONMENTAL
OBLIGATIONS:**

1. Each Loan Party shall comply with the requirements of all legislative and regulatory environmental provisions (the "Environmental Requirements") and shall at all times maintain the authorizations, permits, and certificates required under these provisions.
2. Each Loan Party shall immediately notify the Bank in the event a contaminant spill or emission occurs or is discovered with respect to its property, operations, or those of any neighbouring property. In addition, it shall report to the Bank forthwith any notice, order, decree, or fine that it may receive or be ordered to pay with respect to the Environmental Requirements relating to its business or property.
3. At the request of and in accordance with the conditions set forth by the Bank, each Loan Party shall, at its own cost, provide any information or document which the Bank may require with respect to its environmental situation, including any study or report prepared by a firm acceptable to the Bank. In the event that such studies or reports reveal that any Environmental Requirements are not being respected, the applicable Loan Party shall effect the necessary work to ensure that its business and property comply with the Environmental Requirements within a period acceptable to the Bank.
4. Each Loan Party undertakes to indemnify the Bank for any damage which the Bank may suffer or any liability which it may incur as a result of any non-compliance with the Environmental Requirements.
5. The provisions, undertakings, and indemnification set out in this section shall survive the satisfaction and release of the Security and payment and satisfaction of the indebtedness and liability of the Borrower to the Bank pursuant to the terms hereof.

EVENTS OF DEFAULT:

Notwithstanding that the Credit Facilities are on a demand basis, and without prejudice to the Bank's rights thereby, the following shall be considered events of default ("Events of Default"), upon the occurrence of which, or of a Default, the Bank may choose, in its sole discretion, to cancel all credit availability and to demand repayment of the Credit Facilities in full, together with outstanding accrued interest, fees and any other obligations of the Borrower to the Bank, and, without prejudice to the Bank's other rights and remedies, the Bank's Security shall become enforceable:

1. Immediately upon failure by any Loan Party to pay any instalment of principal, interest, fees, costs, incidental charges or any other amount payable hereunder or under any of the Security when due.

2. Any material representation or warranty contained in this Offering Letter, the Security, any certificate or any opinion delivered hereunder proves to be untrue.
3. Failure by any Loan Party to observe or comply with any Affirmative Covenant, Negative Covenant, Environmental Obligation, condition, or term as outlined herein, or in any Security document or underlying agreements delivered pursuant hereto (not otherwise specifically dealt with in this Events of Default Section).
4. In the opinion of the Bank, acting reasonably, a Material Adverse Effect in the financial condition of any Loan Party or to the operation of any Loan Party's assets has occurred.
5. If a petition is filed, an order is made or a resolution passed, or any other proceeding is taken for the winding up, dissolution, or liquidation of any Loan Party.
6. If proceedings are taken to enforce any encumbrance on the assets of any Loan Party having a value in the aggregate greater than the Basket Amount, excepting as long as such proceedings are being contested in good faith by such Loan Party and security satisfactory to the Bank has been provided to the Bank.
7. If any Loan Party ceases or threatens to cease to carry on its business, or if proceedings are commenced for the suspension of the business of any Loan Party, or if any proceedings are commenced under the Companies Creditors Arrangements Act (Canada) or under the Bankruptcy and Insolvency Act (Canada) (including filing a proposal or notice of intention) with respect to any Loan Party, or if any Loan Party commits or threatens to commit an act of bankruptcy, or if any Loan Party becomes insolvent or bankrupt or makes an authorized assignment pursuant to the Bankruptcy and Insolvency Act (Canada), or a bankruptcy petition is filed by or presented against any Loan Party.
8. If proceedings are commenced to appoint a receiver, receiver/manager, or trustee in respect of the assets of any Loan Party by a court or pursuant to any other agreement.
9. If any Loan Party is in default under the terms of any other contracts, agreements or writings with any other creditor having liens on the property of such Loan Party and such default could reasonably be expected to result in a Material Adverse Effect.
10. If the validity, enforceability or, where applicable, priority of this Offering Letter or any of the Security is prejudiced or endangered.
11. If an event of default under any of the Security occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any of the Security occurs.
12. If any event of default under any material agreement to which a Loan Party is a party occurs and is continuing, or any other event which constitutes or which with the giving of notice or lapse of time or otherwise would constitute an event of default under any material agreement to which a Loan Party is a party occurs.

13. If the Bank in good faith believes and has commercially reasonable grounds to believe that the prospect of repayment of any Advance is or is about to be impaired or that the collateral secured by the Security is or is about to be placed in jeopardy.
14. If any Material Adverse Effect occurs.

**INTEREST ON
OVERDUE AMOUNTS:**

Notwithstanding any other provision of this Offering Letter, in the event that any amount due hereunder (including, without limitation, any interest payment) is not paid when due (whether by acceleration or otherwise), the Borrower shall and hereby agrees to pay to the Bank interest on such unpaid amount (including, without limitation, interest on interest), if and to the fullest extent permitted by applicable law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 10:00 a.m. at the place of payment on the date of such payment), and such interest shall accrue daily, be calculated and compounded on the last Business Day of each calendar month and be payable in the currency of the relevant Advance on demand, as well after as before maturity, default and judgment, at a rate per annum that is equal to: (i) the rate of interest then being charged on Prime Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in Canadian Dollars under such Credit Facility; and (ii) the rate of interest then being charged on Base Rate Loans under the applicable Credit Facility plus 2.00% per annum, for overdue amounts in U.S. Dollars under such Credit Facility. The Borrower hereby waives, to the fullest extent it may do so under applicable law, any provisions of applicable law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

COSTS:

All reasonable third party expenses incurred by the Bank in connection with the Credit Facilities or this Offering Letter are for the account of the Borrower including, but not limited to, legal fees (on a solicitor and own client basis) and future engineering fees.

CHANGE OF LAWS:

Notwithstanding anything contained in this letter to the contrary, in the event that:

1. changes to any existing law or regulation or the introduction of any new law or regulation, or taxes other than income taxes, including, without limitation, a sales tax on loan transactions, or in the interpretation or administration thereof; or
2. compliance by the Bank with any request from or requirement of any central bank or other fiscal or monetary authority having jurisdiction over Canadian banks general (whether or not such request has the force of law);

cause the Bank to:

- a. incur any cost as a result of having entered into and/or performed its obligations hereunder and/or as a result of obligations or options remaining outstanding hereunder including, without limitation, any reserve or special deposit requirement or any payment on or calculated by reference to the amount of the Credit Facilities hereunder; or
- b. suffer a reduction in the rate of return on that part of its overall capital (not due to the rates of tax payable on their overall profits or net income) as a result of a requirement to attribute or allocate capital to the Credit Facilities or a Credit Facility provided hereunder in respect of that part of such Credit Facilities or Credit Facility which is for the time being undrawn as a result of a change in the manner in which the Bank is required to allocate resources to its obligations hereunder,

then the Bank reserves the right to increase the charges for the Credit Facilities or such Credit Facility provided hereunder by the amount of such additional cost of liability as determined by the Bank and the Borrower agrees that it will forthwith on demand pay to the Bank amounts sufficient to reimburse the Bank against such costs or liabilities.

CURRENT ACCOUNTS:

Each Loan Party shall maintain its current accounts at the Calgary Branch of the Bank through which it shall conduct all of its banking activities.

Regular Bank service charges shall apply in the day-to-day operations of each Loan Party's accounts.

**FOREIGN EXCHANGE
FLUCTUATIONS:**

If the amount of outstanding Advances under any Credit Facility is on any day, due to exchange rate fluctuations, in excess of the maximum amount with respect to such Credit Facility, the Borrower shall within five (5) Business Days after receiving notice thereof repay such excess or otherwise reduce a portion of such Advances under the particular Credit Facility to the extent of the amount of the excess.

GENERAL:

Time is of the essence.

The terms and conditions of this Offering Letter between the Bank and each Loan Party are confidential and shall be treated accordingly.

Each Loan Party shall do all things and execute all documents deemed necessary or appropriate by the Bank for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

When a conflict or inconsistency exists between the Security and this Offering Letter, this Offering Letter shall govern to the extent necessary to remove such conflict or inconsistency. Notwithstanding the foregoing, if there is any right or remedy of the Bank set out in any of the Security or any part of which is not set out or provided for in this Offering Letter, such additional right shall not constitute a conflict or inconsistency.

ACCOUNT DEBITS:

Each Loan Party hereby irrevocably authorizes the Bank to debit periodically or from time to time, any bank account it may maintain at the Bank in order to pay all or part of the amounts any Loan Party may owe to the Bank hereunder.

**PERSONAL PROPERTY
SECURITY ACT (ALBERTA)
REQUIREMENTS:**

Each Loan Party hereby waives the requirement for the Bank to provide copies of Personal Property Security Act (Alberta) (collectively with the equivalent legislation in other jurisdictions, the "PPSA") registrations, verification statements, or financing statements undertaken by the Bank.

Each Loan Party hereby agrees to provide to the Bank written notice of a change in its name or address immediately.

ASSIGNMENT:

No rights or obligations of any Loan Party hereunder and no amount of the Credit Facilities may be transferred or assigned by any Loan Party, any such transfer or assignment being null and void insofar as the Bank is concerned and rendering any balance then outstanding of the loan immediately due and payable at the option of the Bank and releasing the Bank from any and all obligations of making any further advances hereunder.

DEMAND:

Notwithstanding any of the terms of this Offering Letter, all obligations of any Loan Party hereunder are repayable to the Bank at any time upon its demand.

ADJUSTMENTS:

Notwithstanding any maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee quoted herein, the Bank shall have the right to adjust such maximum amount, Availability, Reduction Amount, Pricing Grid, interest rate, margin calculation, Applicable Margin, Standby Fee, Stamping Fee, L/C/G Fee or other fee, at the Bank's sole discretion.

NO OBLIGATION:

Upon the Bank's demand for repayment or upon the occurrence of a Default or an Event of Default, the Bank shall have no obligation or liability to make further advances under the Credit Facilities.

ACCESS TO INFORMATION:

Each Loan Party hereby authorizes the Bank to use the necessary information pertaining to it which the Bank has or may have for the purpose of granting credit and insurance products (where permitted by law) and further authorize(s) the Bank to disclose such information to its affiliates and subsidiaries for this same purpose. Moreover, it hereby authorizes the Bank to obtain personal information pertaining to it from any party likely to have such information (credit or information bureau, financial institution, creditor, employer, tax authority, public entity, Persons with whom they might have business relations, and affiliates or Bank subsidiaries) in order to verify the accuracy of all information provided to the Bank and to ensure the solvency of each Loan Party at all times.

ANTI-MONEY LAUNDERING LEGISLATION:

Each Loan Party 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 Bank may be required to obtain, verify and record information regarding any Loan Party, its directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Loan Party, and the transactions contemplated hereby. Each Loan Party shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by the Bank, or any prospective assign or participant of the Bank, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

NOTICE:

Notices to be given under this Offering Letter, the Security or any other document in respect thereto any of Loan Party or the Bank shall, except as otherwise specifically provided, be in writing addressed to the party for whom it is intended. Notices shall be given by personal delivery or transmitted by facsimile and shall be deemed to be received on the Business Day of receipt (unless such delivery or transmission is received after 1:00 p.m. Mountain Time, in which case it shall be deemed to have been received on the following Business Day) unless the law deems a particular notice to be received earlier. The address for each Loan Party shall be the addresses currently recorded on the records of the Bank for such Loan Party, or such other mailing or facsimile addresses as such Loan Party may from to time may notify the Bank as aforesaid. The address for the Bank shall be the Calgary Branch of the Bank or such other mailing or facsimile addresses as the Bank may from to time may notify the Borrower as aforesaid.

**AUTHORIZATION
REGARDING
INSTRUCTIONS SENT
ELECTRONICALLY:**

Each Loan Party authorizes the Bank to do all things as authorized by such Loan Party even if such authorization is sent by fax or by e-mail and the Bank may deem such authorization valid and sufficient and the aforementioned presumption of accuracy shall apply to the authorization, whether it is required for transmitting information, a debit, issuing drafts or certified cheques or for any other purpose. Moreover, the Bank will not be held liable for any fees or delays which may be caused when an instruction is sent whether due to a technical problem attributable to the systems in use at the Bank or otherwise.

PAYMENTS:

Unless otherwise indicated herein, the obligation of each Loan Party to make all payments under this Offering Letter and the Security shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:

1. Any set-off, compensation, counterclaim, recoupment, defence or other right which such Loan Party may have against the Bank of anyone else for any reason whatsoever; or
2. Any insolvency, bankruptcy, reorganization or similar proceedings by or against such Loan Party.

All payments to be made under this Offering Letter shall be made in Canadian Dollars.

All payments made under this Offering Letter shall be made on or prior to 1:00 p.m. Mountain Time on the day such payment is due. Any payment received after 1:00 p.m. Mountain Time shall be deemed to have been received on the following day. Whenever a payment is due on a day which is not a Business Day, such due day shall be extended to the next Business Day and such extension of time shall be included in the computation of any interest payable.

SET-OFF:

The Bank shall have the right to set-off and apply any funds of any Loan Party deposited with or held by the Bank from time to time, and any other indebtedness owing to any Loan Party by the Bank, against any of the amounts outstanding under this Offering Letter from time to time.

JUDGMENT CURRENCY:

If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this Offering Letter it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgment Currency, then such conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, rate of exchange means the rate at which the Bank would, on the relevant day, be prepared to sell a similar amount of such currency against the Judgment Currency.

**RIGHTS AND REMEDIES
CUMULATIVE:**

The rights, remedies and powers of the Bank under this Offering Letter, the Security, at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank, and no delay or omission in exercise of any such right, remedy or power shall exhaust such rights, remedies and powers to be construed as a waiver of any of them.

WAIVERS AND AMENDMENTS:

No term, provision or condition of this Offering Letter or any of the Security, may be waived, varied or amended unless in writing and signed by a duly authorized officer of the Bank.

INTEREST ACT (CANADA):

Any interest rate set forth in this Offering Letter based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such interest rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based. The Borrower hereby waives, to the fullest extent it may do so under law, any provisions of law, including specifically the Interest Act (Canada) or the Judgment Interest Act (Alberta), which may be inconsistent with this Offering Letter.

GAAP / IFRS:

All financial statements required to be furnished by the Borrower to the Bank hereunder shall be prepared in accordance with GAAP. Each accounting term used in this Offering Letter, unless otherwise defined herein, has the meaning assigned to it under GAAP and, except as otherwise provided herein, reference to any balance sheet item, statement of income item or statement of cash flows item means such item as computed from the applicable financial statement prepared in accordance with GAAP. If there occurs a change in GAAP (an "Accounting Change"), including as a result of a conversion to International Financial Reporting Standards ("IFRS"), and such change would result in a change (other than an immaterial change) in the calculation of any financial covenant, standard or term used hereunder, then at the request of the Borrower or the Bank, the Borrower and the Bank shall enter into negotiations to amend such provisions so as to reflect such Accounting Change with the result that the criteria for evaluating the financial condition of the Borrower or any other party, as applicable, shall be the same after such Accounting Change, as if such Accounting Change had not occurred. If, however, within 30 days of the foregoing request by the Borrower or the Bank, the Borrower and the Bank have not reached agreement on such amendment, the method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change.

GOVERNING LAW:

This Offering Letter shall be construed and governed in accordance with the laws of the Province of Alberta. Each Loan Party irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta and all courts competent to hear appeals therefrom.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Offering Letter as a "Review"). The next Review is scheduled on or before September 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

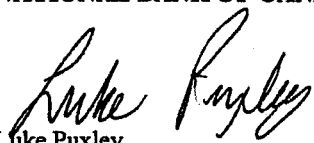
This Offering Letter is open for acceptance until May 27, 2013 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Offering Letter and return one copy to the Bank by the Expiry Date. This Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Offering Letter shall be deemed to be valid execution and delivery of this Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA



Luke Puxley
Director
Energy Group


David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
P:\Data\CLIENTS\X2B - Puxley L\Palliser Oil & Gas Corporation\Credit\2013\Offering Letter 0513.docx

AGREED AND ACCEPTED this 21 day of May, 2013.

PALLISER OIL & GAS CORPORATION

Per: 

Kevin J. Gibson, P.Geol
Chief Executive Officer

Per: 

Ivan J. Condlc, CA
Vice President, Finance & CFO

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Luke Puxley (403) 294-4958 (403) 294-3078 luke.puxley@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.c
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androuli (403) 440-1126 (403) 294-4923 george.androulidakis
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.c

APPENDIX A

CREDIT:

Energy Group	Director:	Mr. Luke Puxley
National Bank of Canada	Telephone:	(403) 294-4958
311 – 6 Avenue SW, Suite	Facsimile:	(403) 294-3078
1800	E-mail:	luke.puxley@nbc.ca
Calgary, AB T2P 3H2		
	Associate:	Ms. Audrey Ng
	Telephone:	(403) 294-4966
	Facsimile:	(403) 294-3078
	E-mail:	audrey.ng@nbc.ca

ADMINISTRATION:

BA Administration; Current	Account Representative:	Ms. Gerry McLean
Account Documents; L/C/Gs;	Telephone:	(403) 294-4922
MasterCard; Loan/Account	Facsimile:	(403) 294-3078
Balances; CAD/USD Money	E-mail:	gerry.mclean@nbc.ca
Orders/Bank Drafts; Bank		
Confirmations; Investments;		
General Inquiries		

BRANCH:

Calgary Downtown Branch	Telephone:	(403) 294-4900
National Bank of Canada	Facsimile:	(403) 294-4965
301 – 6 Avenue SW		
Calgary, AB T2P 4M9		
Calgary MacLeod Trail Branch	Telephone:	(403) 592-8515
National Bank of Canada	Facsimile:	(403) 265-0831
430 - 7337 MacLeod Trail		
South		
Calgary, AB T2H 0L8		

INTERNET/ TELEPHONE BANKING

Order Cheques, Loan/Account	Website:	www.nbc.ca
Balances; Traces; Stop	Telephone:	(888) 483-5628
Payments, List of Current		
Account Transactions; Pay		
Bills; Transfer Between		
Accounts		

OTHER:

Internet Banking	Manager,	
	Global Cash Management:	Ms. Kathy Holland
	Telephone:	(403) 294-4948
	Facsimile:	(403) 476-1000
	E-mail:	kathy.holland@nbc.ca
Foreign Exchange & Interest	Director, Risk	
Rates	Management Solutions:	Mr. George Androulidakis
National Bank of Canada	Telephone:	(403) 440-1126
311 – 6 Avenue SW, 6 th Floor	Facsimile:	(403) 294-4923
Calgary, AB T2P 3H2	E-mail:	george.androulidakis@tres.bnc.ca
Commodity Derivatives	Telephone:	(403) 294-4935
311 – 6 Avenue SW, 6 th Floor	Facsimile:	(403) 294-4923
Calgary, AB T2P 3H2	E-mail:	energy@nbcenergy.com

APPENDIX B

COMPLIANCE CERTIFICATE

To: National Bank of Canada
311 - 6 Avenue SW, Suite 1800
Calgary, AB

I _____, of the City of _____, in the Province of _____, hereby certify as at the date of this Certificate as follows:

1. I am the _____ of _____ (the "Borrower") and I am authorized to provide this Certificate to you for and on behalf of the Borrower;
2. This Certificate applies to the fiscal quarter ended _____;
3. I am familiar with and have examined the provisions of the Offering Letter dated _____, between the Borrower and National Bank of Canada and I have made such investigations of corporate records and inquiries of other officers and senior personnel of each Loan Party as I have deemed reasonably necessary for purposes of the Certificate;
4. As of the date hereof, the Borrower confirms that all of its subsidiaries (if any) are Loan Parties.
5. The representations and warranties set forth in the Offering Letter are in all material respects true and correct on the date hereof;
6. No Default or Event of Default has occurred and is continuing of which we are aware;
7. As required, I have calculated the Adjusted Working Capital Ratio for the fiscal quarter ended as follows:
_____ : 1.00; and
8. All relevant calculations and financial statements are attached.

Except where the context otherwise requires, all capitalized terms used herein have the same meanings as given thereto in the Offering Letter.

This Certificate is given by the undersigned officer in their capacity as an officer of the Borrower without any personal liability on the part of such officer.

Executed at the City of _____, in the Province of _____ this _____ day of _____, 20__.

Yours truly,

PALLISER OIL & GAS CORPORATION

Per: _____
Name:
Title:

**PALLISER OIL & GAS CORPORATION
COMPLIANCE CERTIFICATE**

Calculation of Adjusted Working Capital Ratio

Current Assets

Current assets	\$
Less: Unrealized Hedging Gains	()
Add: Undrawn Availability under Credit Facility A	<u> </u>
	<u> </u> (A)

Current Liabilities

Current liabilities	\$
Less: Unrealized Hedging Losses	()
Less: Current Portion of Bank Debt	<u> </u>
	<u> </u> (B)

Adjusted Working Capital Ratio calculated as follows:

$$\frac{A}{B} =$$

APPENDIX C

DEFINITIONS

In the Offering Letter, including all Appendices to the Offering Letter, and in all notices given pursuant to the Offering Letter, unless something in the subject matter or context is inconsistent therewith, capitalized words and phrases shall have the meanings given to them in the Offering Letter in their proper context, and capitalized words and phrases not otherwise defined in the Offering Letter shall have the following meanings:

"Adjusted Working Capital Ratio" means the ratio of (i) Current Assets plus undrawn Availability under Credit Facility A to (ii) Current Liabilities.

"Advance" means an advance of funds made by the Bank under a Credit Facility to the Borrower, or if the context so requires, an advance of funds under one or more of the Credit Facilities or under one or more of the availability options of one or more of the Credit Facilities, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding Prime Rate Loans and Base Rate Loans, plus the Face Amount of all outstanding BAs and the stated amount of all L/C/Gs as applicable.

"Appendix" means an appendix to the Offering Letter.

"Applicable Margin" means, at any time, a margin, expressed as a rate per annum based on a 365 or 366 day period, as the case may be, for Prime Rate Loans, Base Rate Loans and payment of Standby Fees and L/C/G Fees, or based on a 365 day period in the case of Stamping Fees, and in any case payable to the Bank, as set out in the Pricing Grid for Facility A under the then Net Debt to Cash Flow Ratio applicable to the type of Advance.

"Availability" has the meaning ascribed to such term under the section heading "Availability", with respect to the applicable Credit Facility.

"Basket Amount" means, at any time, the amount equal to 5% of the then Maximum Loan amount of Credit Facility A.

"bps" means one one-hundredth of one percent.

"Business Day" means a day on which banks are open for business in Calgary, Alberta, Montreal, Quebec and Toronto, Ontario; but does not, in any event, include a Saturday or Sunday.

"Calgary Branch of the Bank" means the branch of the Bank at 301 – 6 Avenue SW, Calgary, AB T2P 4M9, fax (403) 294-4965, or such other address as the Bank may notify the Borrower from time to time.

"Canadian Dollars", "Cdn Dollars", "Cdn\$", "CAS" and "\$" mean the lawful money of Canada.

"Capital Lease" means, with respect to any Person, any lease or other arrangement relating to real or personal property which should, in accordance with GAAP, be accounted for as a capital lease on a balance sheet of such Person but excluding any lease that would in accordance with GAAP be determined to be an operating lease.

"Cash Flow" means, at any time, the annualized cash flow of the Borrower on a consolidated basis for the most recent fiscal quarter as determined from its quarterly financial statements for that fiscal quarter, which for certainty means an annualized aggregate amount expressed in Canadian Dollars of the sum, without duplication, of its:

- (a) net earnings (but excluding from the determination of net earnings, non-cash income, unrealized mark to market gains, Capital Lease payments, any abandonment costs paid in cash, cash taxes and any extraordinary or nonrecurring earnings, gains, and losses);
- (b) depletion, depreciation, accretion and amortization;
- (c) exploration and evaluation expenses to the extent deducted from Net Income;
- (d) future income taxes; and
- (e) other charges to operations not requiring a current cash payment,

it being acknowledged that such annualized cash flow shall be adjusted for such other amounts as reasonably requested by the Bank during such fiscal quarter.

"Change of Control" means the occurrence of any of the following events, with respect to any Loan Party:

- (a) any Person or Persons acting jointly or in concert (within the meaning of the Securities Act (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or has the right to acquire or control or exercise direction over (whether such right is exercisable immediately or only after the passage of time) more than 20% of the issued and outstanding Voting Shares of such Loan Party; or
- (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of such Loan Party cease, for any reason, to constitute at least a majority of the board of directors of such Loan Party unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the "Incumbent Directors") and in particular, any new director who assumes office in connection with or as a result of any actual or threatened proxy or other election contest of the board of directors of the Borrower shall never be an Incumbent Director; or
- (c) such Loan Party ceases to own, control or direct 100% of the Voting Shares of a subsidiary.

"Compliance Certificate" means a certificate of an officer of the Borrower signed on its behalf by the president, chief executive officer, chief operating officer, chief financial officer or any vice president of the Borrower, substantially in the form annexed hereto as Appendix B, to be given to the Bank by the Borrower from time to time pursuant to the Offering Letter.

"Credit Facilities" means the credit facility(ies) (and the risk management facility) to be made available to the Borrower by the Bank in accordance with the provisions of the Offering Letter.

"Current Assets" means, as at any date of determination, the current assets of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding the impact of any Unrealized Hedging Gains.

"Current Liabilities" means, as at any date of determination, the current liabilities of the Borrower on a consolidated basis for such date as determined in accordance with generally accepted accounting principles but excluding: (i) Current Portion of Bank Debt; and (ii) the impact of any Unrealized Hedging Losses.

"Current Portion of Bank Debt" means any current liabilities under the Credit Facilities other than those that arise due to total advances under a Credit Facility exceeding the maximum amount of such Credit Facility, whether by reduction of maximum amount, fluctuations in exchange rates, or due to mandatory repayments, or due to the occurrence of a Default or an Event of Default, or due to the Bank's demand for repayment.

"Debt" means, as at any date of determination, all obligations, liabilities and indebtedness of the Borrower which would, in accordance with generally accepted accounting principles, be classified upon a consolidated balance sheet of the Borrower for such date as indebtedness for borrowed money and, without limiting the generality of the foregoing, whether or not so classified, shall include (without duplication):

- (a) obligations under BAs;
- (b) issued and drawn L/C/Gs;
- (c) obligations under guarantees, indemnities, or such other agreements providing financial assistance;
- (d) Capital Leases or sales/lease-backs;
- (e) obligations under deferred purchase price agreements;
- (f) deferred revenues relating to third party obligations;
- (g) the redemption amount of any capital where the holder of such capital has the option to require the redemption of such capital for cash or property and payment of the redemption amounts;
- (h) any distributions declared but not yet paid; and
- (i) all mark to market losses under any Financial Instruments that are due and owing.

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

"Face Amount" means (i) in respect of a BA, the amount payable to the holder thereof on its maturity, and (ii) in respect of a L/C/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C/G.

"Federal Funds Effective Rate" means, on any day, the rate of interest per annum for that day set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (the "H.15(519)") opposite the caption "Federal Funds (Effective)" and, if on any day such rate is not yet published in H. 15(519), the rate for such day will be the rate set forth in the Composite 3:30 p.m. Quotations for US Government Securities, or any successor publication, for such day published by the Federal Reserve Board (the "Composite 3:30 p.m. Quotations") under the caption "Federal Funds Effective Rate"; provided that if such rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, such rate will be the average of the interest rates per annum quoted for such day on overnight Federal funds (such words to have the meaning generally given to them by money market brokers of recognized standing doing business in the United States of America) transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank;

"Financial Instrument" means any currency swap agreement, cross-currency agreement, interest swap agreement, agreement for the making or taking of delivery of any commodity, commodity swap agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar risk management agreement or arrangement, or any combination thereof, to be entered into by the Borrower where (i) the subject matter of the same is interest rates or the price, value or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt) (ii) the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates as in effect from time to time, or (iii) the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity.

"Generally Accepted Accounting Principles" or **"GAAP"** means generally accepted accounting principles consistently applied which are in effect from time to time, as published in the Handbook of the Canadian Institute of Chartered Accountants and other primary sources recognized from time to time by the Canadian Institute of Chartered Accountants.

"ISDA Master Agreement" means an International Swap and Derivatives Association, Inc. Master Agreement (Multi Currency - Cross-Border) as from time to time amended, restated or replaced by the International Swap and Derivatives Association, Inc., including the schedule thereto and any confirmation thereunder as entered into by the Borrower with any counterparty thereto.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition, operations, assets or capitalization of the Borrower on a consolidated basis and taken as a whole;
- (b) the ability of any Loan Party to pay or perform the obligations under this Offering Letter or the ability of any Loan Party to pay or perform any of its obligations or contingent obligations under any Security or any underlying agreements or document delivered pursuant to this Offering Letter or the Security;
- (c) the ability of any Loan Party to perform its obligations under any material contract, if it would also have a material adverse effect on the ability of such Loan Party to pay or perform its obligations under this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security;
- (d) the validity or enforceability of this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security; and

- (e) the priority ranking of any security interests granted by this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security, or the rights or remedies intended or purported to be granted to the Bank under or pursuant to this Offering Letter, the Security, or any underlying agreements or documents delivered pursuant to this Offering Letter or the Security.

"Net Debt" means at any time, on a consolidated basis, the aggregate amount (without duplication) expressed in Canadian Dollars of (a) Working Capital Deficit plus (b) Debt .

"Net Debt to Cash Flow Ratio" means at any time, the ratio of (i) Net Debt to (ii) Cash Flow.

"Offering Letter" means the offering letter to which this appendix is appended, and any appendices thereto, as amended, supplemented, modified, restated or replaced from time to time.

"Permitted Contest" means action taken by a Loan Party in good faith by the appropriate proceedings diligently pursued to contest a tax, claim or security interest, provided that:

- (a) such Loan Party has established reasonable reserves therefor in accordance with GAAP;
- (b) proceeding with such contest does not have, and would 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 property, assets or undertaking of any Loan Party.

"Permitted Encumbrance" means at any particular time any of the following encumbrances on the property or any part of the property of any Loan Party:

- (a) liens for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (b) liens under or pursuant to any judgment rendered, or claim filed, against a Loan Party, which such Loan Party shall be contesting at the time by a Permitted Contest;
- (c) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law against any Loan Party or which relate to obligations not due or delinquent, or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (d) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil and other pipelines, gas and water mains, electric light and power and telecommunication, telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which individually or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of any Loan Party;
- (e) security given by any Loan Party 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 such Loan Party, 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 any Loan Party;
- (f) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (g) security interests in favour of the Bank securing the obligations of any Loan Party under the Offering Letter or the Security;

- (h) the Security;
- (i) liens incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or operation of petroleum or natural gas interests, related production or processing facilities in which such Person has an interest or the transmission of petroleum or natural gas as security in favour of any other Person conducting the exploration, development, operation or transmission 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 that such costs or expenses are not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (j) liens for penalties arising under non-participation or independent operations provisions of operating or similar agreements in respect of any Loan Party's petroleum or natural gas interests, provided that such liens do not materially detract from the value of any material part of the property of any Loan Party;
- (k) 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 petroleum or natural gas interests of any Loan Party;
- (l) any encumbrance or agreement entered into in the ordinary course of business relating to pooling or a plan of unitization affecting the property of any Loan Party, or any part thereof;
- (m) the right reserved or vested in any municipality or governmental or other public authority by the terms of any petroleum or natural gas leases or similar agreements in which any Loan Party has any interest or by any statutory provision to terminate petroleum or natural gas leases or similar agreements in which any Loan Party has any interest, or to require annual or other periodic payments as a condition of the continuance thereof;
- (n) obligations of any Loan Party to deliver petroleum, natural gas, chemicals, minerals or other products to buyers thereof in the ordinary course of business; and
- (o) royalties, net profits and other interests and obligations arising in accordance with standard industry practice and in the ordinary course of business, under petroleum or natural gas leases or similar agreements in which any Loan Party has any interest.

"Person" or **"person"** means and includes an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

"Prime Rate" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in Canadian Dollars made by the Bank in Canada; and
- (b) the average annual rate (rounded upwards, if necessary, to 0.01%) as determined by the Bank as being the average of the "BA 1 month" CDOR Rate applicable to bankers' acceptances in Canadian Dollars displayed and identified as such on the "Reuters Screen CDOR Page" (as defined in the International Swap and Derivatives Association, Inc. definitions, as modified and amended from time to time) plus 1.00%; provided that if such rates do not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic average of the 30-day discount rates applicable to bankers' acceptances in Canadian Dollars quoted by three major Canadian Schedule I chartered banks chosen by the Bank as of approximately 10:00 a.m. on such day, or if such day is not a Business Day, then on the immediately preceding Business Day.

"Retractable Preferred Shares" means preferred shares of the Borrower which are retractable at the option of the holder.

"Stamping Fee" means, at any time, a margin, expressed as a rate per annum based on a 365 day period, charged by the Bank for accepting and stamping BAs.

"Unrealized Hedging Gains" means mark to market unrealized gains in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"Unrealized Hedging Losses" means mark to market unrealized losses in respect of Financial Instruments or other risk management products recorded in accordance with generally accepted accounting principles.

"U.S. Base Rate" means the rate of interest per annum, based on a 365 or 366 day period, as the case may be, in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Bank from time to time as being its reference rate then in effect for determining interest rates for commercial loans in U.S.\$ made by the Bank in Canada; and
- (b) the Federal Funds Effective Rate in effect from time to time multiplied by 365/366, plus a margin on one half (1/2) of one (1) percent (0.50%).

"U.S. Dollar" and the symbol "U.S.\$" each means lawful money of the United States of America in same day immediately available funds and, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due.

"Voting Shares" means:

- (a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

provided that subparagraph (ii) above shall not include voting rights created solely by statute, such as those rights created pursuant to section 183(4) of the Business Corporations Act (Alberta) as in effect on the date of the Offering Letter;

- (b) in respect of a trust, trust units of the trust:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;
- (c) in respect of a partnership, the partnership interests or partnership units:
 - (i) carrying voting rights in all circumstances; or
 - (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and is continuing.

"Working Capital Deficit" means Current Liabilities minus Current Assets.



RECEIVED

JUN 19 2013

RECEIVED
JUN 18 2013
PALLISER OIL & GAS CORPORATION

Writer's Direct Line
(403) 294-4958

June 18, 2013

BY COURIER

Palliser Oil & Gas Corporation
840 - 6 Avenue SW, Suite 600
Calgary, AB T2P 3E5

ATTENTION: Mr. Kevin Gibson
President & CEO

Mr. Ivan Condic
VP Finance & CFO

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 16, 2013, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

DRAWDOWN AMOUNT: \$2,800,000.

PURPOSE: To assist in development capital expenditures at Edam, SK, Lloydminster, AB and Marwayne, AB.

REPAYMENT: Principal repayments of \$125,000/month commencing September 1, 2013.

CREDIT FACILITY FEE: \$14,000, payable at drawdown commitment.

CONDITIONS PRECEDENT TO FUNDING:

In addition to all other Conditions Precedent set out in this Amending Offering Letter, prior to advances under the Credit Facility B, the Borrower shall provide:

1. Variable Rate Demand Promissory Note in the face amount of \$2,800,000;
2. Engineering report of the petroleum reserves to be developed (received); and
3. A detailed capital expenditure budget for approved developments of proven non-producing/undeveloped petroleum and natural gas reserves along with evidence of specific capital expenditures, as applicable (received).

FOR ALL CREDIT FACILITIES

INTERPRETATION:

In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated June 18, 2013.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. All fees due and payable to the Bank shall have been paid.
3. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before September 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

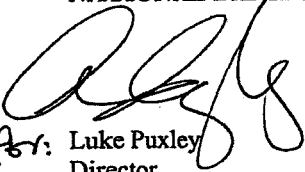
This Amending Offering Letter is open for acceptance until June 26, 2013 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA

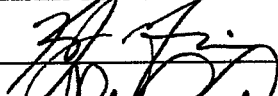
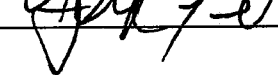

for: Luke Puxley
Director
Energy Group


for: David K. Forsyth
Managing Director
Energy Group

/gm
Enclosure
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AGREED AND ACCEPTED this 19 day of June, 2013.

PALLISER OIL & GAS CORPORATION

Per: 
Per: 

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. Luke Puxley (403) 294-4958 (403) 294-3078 luke.puxley@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Ms. Audrey Ng (403) 294-4966 (403) 294-3078 audrey.ng@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com

311 - 6 Avenue SW, Suite 1800
Calgary, AB T2P 3H2
Branch address

2013, 06, 19
Date (YYYY MM DD)

\$ 2 800 000,00
Amount

ON DEMAND, I promise to pay to the order of NATIONAL BANK OF CANADA the sum of Two Million Eight Hundred Thousand —————00 /100 dollars with interest payable monthly at the Bank's prime rate* plus 1.50 per cent per annum up to and after maturity, until fully paid, plus minimum charges of \$10, at the above National Bank of Canada branch. The prime rate as at the date of this note is 3.0 per cent per annum.

I acknowledge that value has been received as consideration for this note.

* **Prime rate:** The annual variable interest rate posted by National Bank of Canada from time to time, which is used to determine the interest rate on loans in Canadian dollars made in Canada.

PALLISER OIL & GAS CORPORATION


Signature


Signature



RECEIVED

OCT 30 2013

RECEIVED
OCT 29 2013
PALLISER OIL & GAS
CORPORATION

Writer's Direct Line
(403) 294-4983

October 29, 2013

BY COURIER

Palliser Oil & Gas Corporation
255 - 5 Avenue SW, Suite 600
Calgary, Alberta T2P 3E5

ATTENTION: Mr. Kevin Gibson
President & CEO

Mr. Ivan Condic
VP Finance & CFO

Dear Sirs:

RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 16, 2013, as amended June 18, 2013, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

FOR ALL CREDIT FACILITIES

INTERPRETATION: In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

SECURITY: The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including

without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated October 29, 2013.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any additional advances under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
2. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before May 1, 2014, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

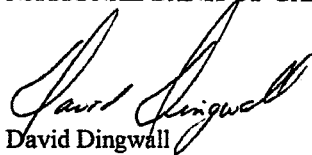
This Amending Offering Letter is open for acceptance until November 5, 2013, (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA



David Dingwall
Director
Energy Group



David K. Forsyth
Managing Director
Energy Group

/mab
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AGREED AND ACCEPTED this 29 day of October, 2013.

PALLISER OIL & GAS CORPORATION

Per: 

Wan J. Condit, CA
Vice President, Finance & CFO

Per: 

Kevin J. Gibson, P.Geol
Chief Executive Officer

APPENDIX A

CREDIT:

Energy Group	Director:	Mr. David Dingwall
National Bank of Canada	Telephone:	(403) 294-4983
311 – 6 Avenue SW, Suite	Facsimile:	(403) 294-3078
1800	E-mail:	david.dingwall@nbc.ca
Calgary, AB T2P 3H2		
	Associate:	Mr. Andrew Field
	Telephone:	(403) 355-6646
	Facsimile:	(403) 294-3078
	E-mail:	andrew.field@nbc.ca

ADMINISTRATION:

BA Administration; Current	Account Representative:	Mrs. Marj Brown
Account Documents; L/C/Gs;	Telephone:	(403) 294-4956
MasterCard; Loan/Account	Facsimile:	(403) 294-3078
Balances; CAD/USD Money	E-mail:	marj.brown@nbc.ca
Orders/Bank Drafts; Bank		
Confirmations; Investments;	Senior Secretary:	Ms. Yelaina May
General Inquiries	Telephone:	(403) 355-3584
	Facsimile:	(403) 294-3078
	E-mail:	yelaina.may@nbc.ca

BRANCH:

Calgary Downtown Branch	Telephone:	(403) 294-4900
National Bank of Canada	Facsimile:	(403) 294-4965
301 – 6 Avenue SW		
Calgary, AB T2P 4M9		
Calgary MacLeod Trail Branch	Telephone:	(403) 592-8515
National Bank of Canada	Facsimile:	(403) 265-0831
430 - 7337 MacLeod Trail		
South		
Calgary, AB T2H 0L8		

**INTERNET/
TELEPHONE
BANKING**

Order Cheques, Loan/Account	Website:	www.nbc.ca
Balances; Traces; Stop	Telephone:	(888) 483-5628
Payments, List of Current		
Account Transactions; Pay		
Bills; Transfer Between		
Accounts		

OTHER:

Internet Banking	Manager, Global Cash Management:	Ms. Kathy Holland
	Telephone:	(403) 294-4948
	Facsimile:	(403) 476-1000
	E-mail:	kathy.holland@nbc.ca
Foreign Exchange & Interest	Director, Risk	Mr. George Androulidakis
Rates	Management Solutions:	(403) 440-1126
National Bank of Canada	Telephone:	(403) 294-4923
311 – 6 Avenue SW, 6 th Floor	Facsimile:	george.androulidakis@tres.bnc.ca
Calgary, AB T2P 3H2	E-mail:	
Commodity Derivatives	Telephone:	(403) 294-4935
311 – 6 Avenue SW, 6 th Floor	Facsimile:	(403) 294-4923
Calgary, AB T2P 3H2	E-mail:	energy@nbcenergy.com



RECEIVED

DEC 17 2013

Writer's Direct Line
(403) 294-4983

December 17, 2013

BY COURIER

Palliser Oil & Gas Corporation
255 - 5 Avenue SW, Suite 600
Calgary, Alberta T2P 3E5

**ATTENTION: Mr. Kevin Gibson
President & CEO**

**Mr. Ivan Condic
VP Finance & CFO**

Dear Sirs:

RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / PALLISER OIL & GAS CORPORATION

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Palliser Oil & Gas Corporation, subject to the terms and conditions of the accepted Offering Letter dated May 15, 2013, as amended June 18, 2013 and October 29, 2013, which shall remain in full force and effect unless superseded below.

BORROWER: PALLISER OIL & GAS CORPORATION (the "Borrower" or "Loan Party").

LENDER: NATIONAL BANK OF CANADA (the "Bank").

CREDIT FACILITY B: ACQUISITION/DEVELOPMENT DEMAND LOAN (the "Credit Facility B").

MAXIMUM AMOUNT: \$10,000,000.

DRAWDOWN AMOUNT: \$2,250,000.

PURPOSE: To reinstate the outstanding balance originally to assist in development of capital expenditures at Edam, SK, Lloydminster, AB and Marwayne, AB.

REPAYMENT: Principal repayments of \$125,000/month commencing February 1, 2014.

EVIDENCE OF DEBT: Variable Rate Demand Promissory Note and the records of the Bank. Such records maintained by the Bank shall constitute in the absence of manifest error prima facie evidence of the obligations of the Borrower to the Bank in respect of Advances made. The failure by the Bank to correctly record any such amount or date shall not adversely affect the obligations of the Borrower to pay amounts due hereunder to the Bank in accordance with this Amending Offering Letter.

FOR ALL CREDIT FACILITIES

DEFINITIONS:

In this Amending Offering Letter, including the Appendices hereto and in all notices given pursuant to this Amending Offering Letter, capitalized words and phrases shall have the meanings given to them in this Amending Offering Letter in their proper context, and words and phrases not otherwise defined in this Amending Offering Letter but defined in Appendix C to this Amending Offering Letter shall have the meanings given to them in Appendix C to this Amending Offering Letter.

INTERPRETATION:

In this Amending Offering Letter, unless otherwise specifically provided, words importing the singular will include the plural and vice versa, words importing gender shall include the masculine, the feminine and the neuter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including by facsimile.

SECURITY:

The following security shall be completed, duly executed, delivered, and registered, where necessary, to the entire satisfaction of the Bank and its counsel. All present and future security (the "Security") and the terms thereof shall be held by the Bank as continuing security for all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the Loan Parties to the Bank including without limitation for the repayment of all loans and advances made hereunder and for other loans and advances that may be made from time to time in the future whether hereunder or otherwise. For greater certainty, all Financial Instruments, including without limitation swaps and forwards, entered into at any time with the Bank (or any of its subsidiaries or affiliates from time to time) are deemed to be debts, obligations and liabilities of the Borrower and are secured by the Security on a pari passu basis and shall rank pari passu with all other indebtedness under the Credit Facilities. Where applicable, the Security will be in the Bank's standard form.

To Be Obtained:

1. Accepted Amending Offering Letter dated December 17, 2013.
2. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**CONDITIONS
PRECEDENT:**

Prior to any drawdown (additional advances) under the Credit Facilities, the Borrower shall have provided, executed or satisfied the following, to the Bank's satisfaction (collectively with all other conditions precedent set out in this Amending Offering Letter, the "Conditions Precedent"):

1. A Variable Rate Demand Promissory Note in the face amount of \$2,250,000 duly executed and delivered to the Bank by the Borrower.
2. All Security shall be duly completed, authorized, executed, delivered by each Loan Party which is a party thereto, and registered, all to the satisfaction of the Bank and its counsel.
3. Any other document that may be reasonably requested by the Bank.

The above conditions are inserted for the sole benefit of the Bank, and may be waived by the Bank in whole or in part (with or without terms or conditions) in respect of any particular Advance, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of the Bank to insist on the satisfaction of any condition not expressly waived in writing or to insist on the satisfaction of any condition waived in writing which may be requested in the future.

REVIEW:

Without detracting from the demand nature of the Credit Facilities, the Credit Facilities are subject to periodic review by the Bank in its sole discretion (each such review is referred to in this Amending Offering Letter as a "Review"). The next Review is scheduled on or before May 1, 2014, but may be set at an earlier or later date at the sole discretion of the Bank.

EXPIRY DATE:

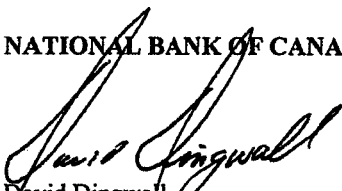
This Amending Offering Letter is open for acceptance until December 24, 2013, (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or other electronic copy of an executed counterpart of this Amending Offering Letter shall be deemed to be valid execution and delivery of this Amending Offering Letter, but the party delivering a facsimile or other electronic copy shall deliver an original copy of this Amending Offering Letter as soon as possible after delivering the facsimile or other electronic copy.

National Bank of Canada appreciates the opportunity of providing this Amending Offering Letter to Palliser Oil & Gas Corporation. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA


David Dingwall
Director
Energy Group


for Dan Lindquist
Managing Director and Co-Head
Credit Capital Markets Calgary

/mab
P:\Data\CLIENTS\X2E - Dingwall D\Palliser Oil & Gas Corporation\Credit\2013\Offering Letter - Amending 1213.docx

AGREED AND ACCEPTED this 17 day of Dec, 2013.

PALLISER OIL & GAS CORPORATION

Per: 
Per: 

Kevin J. Gibson, P.Geol
Chief Executive Officer

Ivan J. Condic, CA
Vice President, Finance & CFO

APPENDIX A

<u>CREDIT:</u>	Energy Group National Bank of Canada 311 – 6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2	Director: Telephone: Facsimile: E-mail:	Mr. David Dingwall (403) 294-4983 (403) 294-3078 david.dingwall@nbc.ca
		Associate: Telephone: Facsimile: E-mail:	Mr. Andrew Field (403) 355-6646 (403) 294-3078 andrew.field@nbc.ca
<u>ADMINISTRATION:</u>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan/Account Balances; CAD/USD Money Orders/Bank Drafts; Bank Confirmations; Investments; General Inquiries	Account Representative: Telephone: Facsimile: E-mail: Senior Secretary: Telephone: Facsimile: E-mail:	Mrs. Marj Brown (403) 294-4956 (403) 294-3078 marj.brown@nbc.ca Ms. Yelaina May (403) 355-3584 (403) 294-3078 yelaina.may@nbc.ca
<u>BRANCH:</u>	Calgary Downtown Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
	Calgary MacLeod Trail Branch National Bank of Canada 430 - 7337 MacLeod Trail South Calgary, AB T2H 0L8	Telephone: Facsimile:	(403) 592-8515 (403) 265-0831
<u>INTERNET/ TELEPHONE BANKING</u>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts	Website: Telephone:	www.nbc.ca (888) 483-5628
<u>OTHER:</u>	Internet Banking	Manager, Global Cash Management: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 476-1000 kathy.holland@nbc.ca
	Foreign Exchange & Interest Rates National Bank of Canada 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Director, Risk Management Solutions: Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4923 george.androulidakis@tres.bnc.ca
	Commodity Derivatives 311 – 6 Avenue SW, 6 th Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com

LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT

THIS AGREEMENT effective as of the 29th day of July, 2014.


AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")

THIS IS EXHIBIT " B "
referred to in the Affidavit of
Elizabeth Pineda
Sworn before me this 2
Day of February A.D. 20 15


A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
Gunnar Benediktsson
Barrister & Solicitor

WHEREAS the Lender and Palliser entered into a Commitment Letter dated December 31, 2012, as amended from time to time (the "Commitment Letter") and related Security;

AND WHEREAS as at July 25, 2014, Palliser is indebted to the Lender in the approximate sum of \$42,000,000.00 plus fluctuating amounts, including hedge agreements, plus accrued fees, costs and interest ("Debt");

AND WHEREAS the Lender holds certain security (the "Security") for the Debt upon the assets of Palliser (the "Assets");

AND WHEREAS Palliser has also entered into certain oil and gas hedge agreements (the "Hedge Agreements") with the Lender that are secured by the Security;

AND WHEREAS the loans provided for in the Commitment Letter (as may be amended herein, the "Credit Facilities") are demand facilities;

AND WHEREAS Palliser is concurrently entering into an Amalgamation Agreement with Maha Energy Inc. dated with effect as at July 29, 2014, a copy of which is attached hereto (the "Maha Agreement");

AND WHEREAS Palliser has requested the Lender to forbear on current and future Events of Default and to provide an extension of the Credit Facilities to October 31, 2014 to allow the Maha Agreement to close in accordance with its terms;

AND WHEREAS the parties hereto have entered into this Forbearance Agreement to allow Palliser and Maha an opportunity to close the Maha Agreement in accordance with its terms, including amongst other things, to allow the Palliser and Maha amalgamated entity to repay the Debt.

NOW THEREFORE IN CONSIDERATION of the promise of payment of the Forbearance Fee (as hereinafter defined), the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, THE PARTIES HERETO COVENANT AND AGREE AS FOLLOWS:

ARTICLE 1
PARTICULARS OF DEBT

1.1 As at July 25, 2014, the Debt is calculated at and includes the following:

	<u>Amount (Cdn.\$)</u>	
Revolving Credit Facility ¹	\$40,500,000.00	Interest Rate: P+1.00%
Accrued Interest	\$ 130,202.74	Per Diem: \$4,438.36 ²
Standby Fee	\$ 117.81	Rate: 0.25% on unused portion
Rev. Acquisition/Development Facility	\$ 1,375,000.00	Interest Rate: P+1.50%
Accrued Interest	\$ 5,039.39	Per Diem: \$169.52 ³
MasterCard	\$ 23,774.00	Interest Rate: 19.99% per annum
Total in Cdn.\$:		
\$42,034,133.94		

1.2 In addition to the foregoing, Palliser has fluctuating obligations or mark to market indebtedness pursuant to the Hedge Agreements which may become due and payable to the Lender from time to time.

1.3 In addition to the foregoing, Palliser has accrued and is accruing obligations with respect to the Lender's reasonable legal and consulting fees currently in non-binding good faith estimated to be \$125,000 by the Bank and its counsel in connection with legal fees and \$70,000 in connection with consulting fees of FTI Consulting assuming the Maha Agreement proceeds unamended.

1.4 The Bank agrees and acknowledges that the foregoing constitutes all of the amounts owing to the Bank by Palliser other than under the Hedge Agreements as of the date hereof and as of the date of Closing (as that term is defined under the Maha Agreement) (the "Closing") by paying to the Bank the then current balances of the above amounts plus amounts owing under the Hedge Agreements at

¹ Subject to balance fluctuates daily.

² Subject to Prime Rate change. As at July 25, 2014, Prime Rate is 3.00%.

³ Subject to Prime Rate change. As at July 25, 2014, Prime Rate is 3.00%.

Closing, if any, which may be addressed according to section 5.1 of this agreement, the Bank will fully release and discharge Palliser (as will then be amalgamated with Maha) of any and all liabilities whatsoever and agrees thereafter to discharge all Security.

1.5 The Bank acknowledges provided Palliser is not otherwise in default hereunder there are no further debts, dues, charges, accelerations, interest, penalties, fees other than as set forth above due from Palliser to the Bank at the time of pay-out of the Debt after Closing with the exception of reasonable legal fees to register discharges of the Security.

ARTICLE 2
LENDER'S RIGHTS

EXISTING AGREEMENTS

2.1 All terms and conditions as set out in the Commitment Letter and related Security shall remain in full force and effect.

2.2 Except as may be expressly set out herein, nothing herein shall affect or amend the terms of the Commitment Letter and related Security.

DEMAND FACILITY

2.3 Notwithstanding anything to the contrary herein, Palliser acknowledges that the Debt under the Commitment Letter is and has always been a demand facility and further acknowledges the Lender's right to:

- i) accelerate and demand that the Debt be repaid immediately;
 - ii) enforce any of its rights arising under the Commitment Letter and related Security; or
 - iii) unilaterally terminate, without advance notice to Palliser, its obligations under this Forbearance Agreement;
- (collectively the "Lender's Rights")

which Lender's Rights may be exercised separately or cumulatively if one or more of the following incidents ("Default Incidents") occurs during the currency of this Forbearance Agreement: and provided

Palliser has been provided 10 days prior written notice of such event concurrent with any demand for repayment during which time such incident has not been remedied:

- (a) Palliser does not comply with any of the provisions of this Forbearance Agreement;
- (b) Palliser ceases to conduct active operations;
- (c) the Security held by the Lender is subject to a material adverse change from the conditions of its business as of this date and from Palliser's forecasted position (as set forth in the financial forecasts provided to the Bank by Palliser as of the date hereof) so as to materially and irrevocably prejudice the rights of the Bank under its Security;
- (d) Palliser threatens or initiates any bankruptcy, receivership, arrangement, compromise or similar proceeding, or has any such proceedings initiated against it;
- (e) material liens are registered as against Palliser's Assets so as to materially and irrevocably prejudice the rights of the Bank under its Security;
- (f) material legal proceedings are filed as against Palliser by its creditors or suppliers so as to materially and irrevocably prejudice the rights of the Bank under its Security; ; or
- (g) there has been a material un remedied breach of the Maha Agreement by either party to it.

ARTICLE 3

WAIVER, EXTENSION AND FORBEARANCE

3.1 Subject to all other provisions of this Forbearance Agreement, the Lender hereby covenants and agrees to an extension of the Credit Facilities (as may be amended herein) to October 31, 2014 and not to demand repayment or enforce its rights thereunder or any Lender's Rights subject to the terms and conditions set out herein.

3.2 Palliser shall pay to the Lender a forbearance fee of \$125,000.00 (the "Forbearance Fee"), which fee is earned upon execution of this agreement but not payable until the earlier of the repayment of the Debt or October 31, 2014.

3.3 The above Forbearance Fee replaces any renewal fees otherwise owing under the Commitment Letter.

3.4 The Lender confirms that it does not oppose nor take exception to the Maha Agreement.

3.5 In the event the Maha Agreement or the activities contemplated thereunder result in a breach or a technical breach of the Commitment Letter or the Security, the Lender hereby expressly waives any such breach.

ARTICLE 4
PALLISER'S POSITIVE COVENANTS

4.1 Palliser covenants that it shall work diligently towards, and conclude, the following actions, within the time periods identified herein:

- (a) Palliser shall continue its business operations in a proper and businesslike manner;
- (b) Palliser will immediately advise the Lender of the occurrence of any Default Incidents under this Forbearance Agreement, the Commitment Letter or related Security;
- (c) Palliser will immediately advise the Lender of any default, termination or allegations of such under the Maha Agreement;
- (d) Palliser will immediately advise the Lender of the occurrence of any further Default or deterioration in the Defaults under the Commitment Letter or related Security;
- (e) Palliser agrees to the following milestones with respect to the Maha Agreement:

July 29, 2014	Execute Maha Agreement and announce transaction
July 29-31, 2014	Application to TSXV submitted
Week of August 11, 2014	Anticipated receipt of TSXV conditional approval Set Meetings and record dates
Week of September 1, 2014	Mail joint information circular to Palliser and Maha shareholders
Week of October 20, 2014	Hold Maha and Palliser shareholder meetings Close Maha bond and equity financings (equity financing may be earlier) Close transaction and repay Debt to Lender
October 31, 2014	Outside date to close Maha Agreement transaction and repay Debt to Lender

4.2 Palliser acknowledges the extended period of forbearance allowed by the Lender under this Forbearance Agreement, and agrees and undertakes if it is in material default of this Agreement not to take any steps to stay, defer or affect the Lender's rights to pursue, claim or enforce the Debt or the

Security in relation thereto under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* or otherwise.

ARTICLE 5
HEDGE AGREEMENTS

5.1 On Closing of the Maha Agreement, Palliser (as will then be amalgamated with Maha) shall have the election to close out the Hedge Agreements or to execute a credit support agreement and to post cash collateral with such cash collateral being calculated in accordance with the Lender's prevailing Treasury Group calculation model and practice, as may be revised from time to time. Maha shall have the right to confirm whether the calculations have been completed in accordance with the above model consistent with the Bank's normal practices.

ARTICLE 6
MISCELLANEOUS

AMENDMENT

6.1 This Forbearance Agreement may only be amended by further written agreement executed and delivered by all parties hereto. No termination or waiver of any provision of this Forbearance Agreement is effective unless made in writing and signed by the appropriate parties, and then only in the specific terms provided for therein.

DEBT

6.2 Palliser acknowledges the amount of the Debt outstanding to the Lender.

SECURITY

6.3 Palliser acknowledges that the Security held by the Lender as security for the repayment of the Debt is valid and subsisting.

INVALID IN PART

6.4 If any one or more of the provisions of this Forbearance Agreement, or any application of a provision of this agreement, is void, invalid or unenforceable in any jurisdiction, the validity, legality and enforceability of such provision or provisions shall not in any way be affected or impaired thereby in any other jurisdiction, and the validity, legality and enforceability of the remaining provisions of this agreement

or any application of the provisions of this Forbearance Agreement, shall remain intact and not in any way affected or impaired thereby.

HEADINGS NOT PART OF AGREEMENT

6.5 The headings to the provisions of this Forbearance Agreement are inserted solely for the convenience of reference, and are not intended to affect the interpretation of the provisions hereof.

BINDING

6.6 This Forbearance Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and successors. Each of the Lender and Palliser confirm they have received all necessary internal approvals to enter into this Agreement.

TIME OF THE ESSENCE

6.7 Time shall be of the essence in this Forbearance Agreement.

EXECUTION

6.8 This Forbearance Agreement and any agreement or document to be delivered hereunder may be executed by any party by the signing of a counterpart hereof or thereof, as the case may be, each of which counterpart so executed shall be deemed to be an original, and such counterparts together shall constitute a single instrument. Faxed and electronic copies of such counterparts shall have the same force and effect as the original copies hereof or thereof, as the case may be.

LAWS OF ALBERTA

6.9 This Forbearance Agreement is and shall be governed by and construed in accordance with the laws of the Province of Alberta, and the parties hereto hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

APPLICATION

6.10 The singular of any plural and *vice versa*, and the use any term is generally applicable to any gender and, where applicable, a corporation. Any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity. Capitalized terms used herein and

not otherwise defined shall have the meanings set forth in the Commitment Letter. All dollar (\$) references herein are to the lawful currency of Canada.

LEGAL ADVICE

6.11 Palliser does hereby confirm that it has retained, consulted and had the benefit of independent legal advice.

LENDER'S COSTS

6.12 Notwithstanding any other provision of this Forbearance Agreement, Palliser hereby agrees to pay to the Lender its solicitor and client costs incurred in preparing this Forbearance Agreement and all other legal and other professional fees or disbursements incurred by the Lender relating to the Credit Facilities or the Maha Agreement. These fees, and those of FTI Consulting, may be recovered by the Lender and are hereby agreed by Palliser to form part of the Debt.

RELEASE

6.13 Palliser hereby irrevocably and unconditionally releases and forever discharges the Lender and its officers, directors, employees, agents, successors and assigns of and from any and all manners of action, causes of action, suits, debts, liabilities, costs, claims, accountings and demands, both in law and in equity, which it may now or hereafter have or might otherwise be entitled to make.

IN WITNESS WHEREOF, the parties to this Forbearance Agreement have caused this Forbearance Agreement to be signed and delivered as of the effective date first above written.

NATIONAL BANK OF CANADA

PALLISER OIL & GAS CORPORATION, as Borrower

By: [Signature]
Authorized Signatory

By: [Signature]
Authorized Signatory

By: [Signature]
Authorized Signatory

By: [Signature]
Authorized Signatory

BETH PINEDA
Manager

**AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 31st day of October, 2014.

AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
(the "Palliser" or the "Borrower")

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 28, 2014 (the "Loan Amending Agreement");

AND WHEREAS the parties have agreed to amend and extend certain dates or milestones set out therein;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

ARTICLE 1
EXTENSION

1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date November 7, 2014.

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to November 7, 2014.

IN WITNESS WHEREOF, the parties to this Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

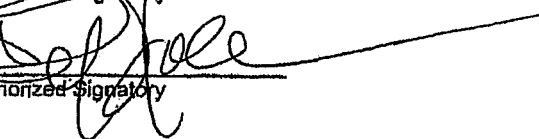
NATIONAL BANK OF CANADA

By: 
Authorized Signatory

By: 
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: 
Authorized Signatory

By: 
Authorized Signatory

**SECOND AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 7th day of November, 2014.

AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 28, 2014 (the "Loan Amending Agreement") and an Amendment and Extension dated October 31, 2014 ("Amendment and Extension Agreement");

AND WHEREAS the parties have agreed to further amend and extend certain dates or milestones set out therein;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

ARTICLE 1
EXTENSION

1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date November 28, 2014.

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to November 28, 2014.

IN WITNESS WHEREOF, the parties to this Second Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

NATIONAL BANK OF CANADA

By: 
Authorized Signatory

By: 
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: 
Authorized Signatory

By: 
Authorized Signatory

**THIRD AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 28th day of November, 2014.

AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 29, 2014 (the "Loan Amending Agreement"), an Amendment and Extension Agreement dated October 31, 2014 ("Amendment and Extension Agreement") and a Second Amendment and Extension Agreement dated November 7, 2014 ("Second Amendment and Extension Agreement") ;

AND WHEREAS the parties have agreed to further amend and extend certain dates or milestones set out in the Loan Amending Agreement as amended in the Amendment and Extension Agreement and as further amended in the Second Amendment and Extension Agreement;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, **THE PARTIES COVENANT AND AGREE AS FOLLOWS:**

ARTICLE 1
EXTENSION

1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date December 5, 2014.

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to December 5, 2014.

IN WITNESS WHEREOF, the parties to this Third Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

NATIONAL BANK OF CANADA

By: [Signature]
Authorized Signatory

By: [Signature]
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: [Signature]
Authorized Signatory

By: [Signature]
Authorized Signatory

**FOURTH AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 5th day of December, 2014.

AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 29, 2014 (the "Loan Amending Agreement"), an Amendment and Extension Agreement dated October 31, 2014 ("Amendment and Extension Agreement"), a Second Amendment and Extension Agreement dated November 7, 2014 ("Second Amendment and Extension Agreement"), and a Third Amendment and Extension Agreement dated November 28, 2014 ("Third Amendment and Extension Agreement") ;

AND WHEREAS the parties have agreed to further amend and extend certain dates or milestones set out in the Loan Amending Agreement as amended in the Amendment and Extension Agreement and as further amended in the Second Amendment and Extension Agreement and as further amended in the Third Amendment and Extension Agreement;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, **THE PARTIES COVENANT AND AGREE AS FOLLOWS:**

ARTICLE 1
EXTENSION

1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date December 12, 2014.

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to December 12, 2014.

IN WITNESS WHEREOF, the parties to this Fourth Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

NATIONAL BANK OF CANADA

By: [Signature]
Authorized Signatory

By: [Signature]
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: _____
Authorized Signatory

By: _____
Authorized Signatory

Benediktsson, Gunnar

From: Gorman, Howard A.
Sent: December 12, 2014 1:26 PM
To: Daryl Fridhandler
Cc: Kevin Gibson; National Bank re Waldron Energy: 01124572-0581; Karen Koury; Van de Mosselaer, Randal S
Subject: Re: Palliser

By this e-mail I confirm NBC will extend a further week to December 19. Due to logistics issues, we may have some issues in getting a formal signed extension today but we are trying

Sent from my iPad

> On Dec 12, 2014, at 12:47 PM, "Daryl Fridhandler" <dsf@bdplaw.com> wrote:
>
> Howard
>
> I understand that Kevin this just recently completed a call with Karen and Beth. His prices there's no further commitment at present to extension forbearance agreement.
>
> Well this is certainly the banks prerogative, I am a little bit concerned that if we put press release out that the forbearance agreement has not been extended, that precipitous events beyond our control could arise. I don't believe any of the sort prior to the opening of trading on Monday.
>
> Please consider this a request to extend the 40 parents agreement for a Nother week, pending ongoing discussions relative to the corporations credit arrangements and potential a transaction with third parties.
>
> Sent from my iPhone
>

**SIXTH AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 19th day of December, 2014.

AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 29, 2014 (the "Loan Amending Agreement"), an Amendment and Extension Agreement dated October 31, 2014 ("Amendment and Extension Agreement"), a Second Amendment and Extension Agreement dated November 7, 2014 ("Second Amendment and Extension Agreement"), a Third Amendment and Extension Agreement dated November 28, 2014 ("Third Amendment and Extension Agreement"), a Fourth Amendment and Extension Agreement dated December 5, 2014 ("Fourth Amendment and Extension Agreement") and a Fifth Amendment and Extension Agreement dated December 12, 2014 ("Fifth Amendment and Extension Agreement");

AND WHEREAS the parties have agreed to further amend and extend certain dates or milestones set out in the Loan Amending Agreement as amended in the Amendment and Extension Agreement and as further amended in the Second Amendment and Extension Agreement and as further amended in the Third Amendment and Extension Agreement, and as further amended in the Fourth Amendment and Extension Agreement, and as further amended in the Fifth Amendment and Extension Agreement;

AND WHEREAS the parties have agreed to amend the definition of "Default Incidents" as set out in Article 2.3 of the Loan Amending Agreement;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, **THE PARTIES COVENANT AND AGREE AS FOLLOWS:**

ARTICLE 1
EXTENSION AND AMENDMENT

1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date January 9, 2015.

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to January 9, 2015.

1.3 The Lender and the Borrower hereby agree that up to 100% of the amount to be received by the Borrower in December, 2014 in respect of the outstanding hedges (which amount is estimated to be \$480,000) may be used by the Borrower to pay down existing provincial Crown royalties which are currently owed, but may not be used for any other purpose, and that amounts not used to pay down existing provincial Crown royalties (if any) shall be held by the Borrower and not paid out by the Borrower without the express written consent of the Lender.

1.4 The Lender and the Borrower hereby agree that a breach of paragraph 1.3 of this Sixth Amendment and Extension Agreement shall constitute a "Default Incident" as that term is defined in article 2.3 of the Loan Amending Agreement.

IN WITNESS WHEREOF, the parties to this Sixth Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

NATIONAL BANK OF CANADA

By: 
Authorized Signatory

By: 
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: _____
Authorized Signatory

By: _____
Authorized Signatory

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to January 9, 2015.

1.3 The Lender and the Borrower hereby agree that up to 100% of the amount to be received by the Borrower in December, 2014 in respect of the outstanding hedges (which amount is estimated to be \$480,000) may be used by the Borrower to pay down existing provincial Crown royalties which are currently owed, but may not be used for any other purpose, and that amounts not used to pay down existing provincial Crown royalties (if any) shall be held by the Borrower and not paid out by the Borrower without the express written consent of the Lender.

1.4 The Lender and the Borrower hereby agree that a breach of paragraph 1.3 of this Sixth Amendment and Extension Agreement shall constitute a "Default Incident" as that term is defined in article 2.3 of the Loan Amending Agreement.

IN WITNESS WHEREOF, the parties to this Sixth Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.


NATIONAL BANK OF CANADA

PALLISER OIL & GAS CORPORATION, as Borrower

By: _____
Authorized Signatory

By: 
Authorized Signatory

By: _____
Authorized Signatory


By: _____
Authorized Signatory

**SEVENTH AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 9th day of January, 2015.

AMONG:

**NATIONAL BANK OF CANADA
(the "Lender")**

- and -

**PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")**

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 29, 2014 (the "Loan Amending Agreement"), an Amendment and Extension Agreement dated October 31, 2014 ("Amendment and Extension Agreement"), a Second Amendment and Extension Agreement dated November 7, 2014 ("Second Amendment and Extension Agreement"), a Third Amendment and Extension Agreement dated November 28, 2014 ("Third Amendment and Extension Agreement"), a Fourth Amendment and Extension Agreement dated December 5, 2014 ("Fourth Amendment and Extension Agreement"), a Fifth Amendment and Extension Agreement dated December 12, 2014 ("Fifth Amendment and Extension Agreement"), and a Sixth Amendment and Extension Agreement dated December 19, 2014 ("Sixth Amendment and Extension Agreement")

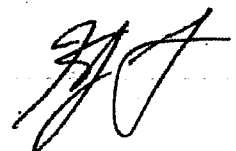
AND WHEREAS the parties have agreed to further amend and extend certain dates or milestones set out in the Loan Amending Agreement as amended in the Amendment and Extension Agreement and as further amended in the Second Amendment and Extension Agreement and as further amended in the Third Amendment and Extension Agreement, and as further amended in the Fourth Amendment and Extension Agreement, and as further amended in the Fifth Amendment and Extension Agreement and as further amended in the Sixth Amendment and Extension Agreement;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, **THE PARTIES COVENANT AND AGREE AS FOLLOWS:**

**ARTICLE 1
EXTENSION AND AMENDMENT**


1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date January 16, 2015.

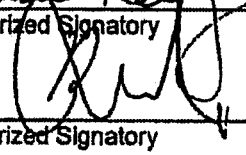
1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to January 16, 2015.



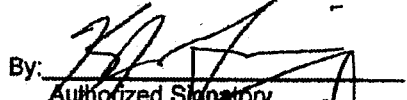
IN WITNESS WHEREOF, the parties to this Seventh Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

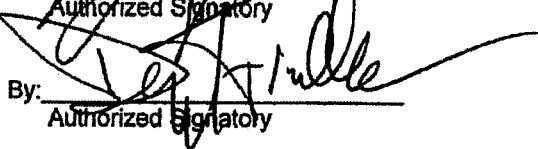
NATIONAL BANK OF CANADA

By: 
Authorized Signatory

By: 
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: 
Authorized Signatory

By: 
Authorized Signatory

**EIGHTH AMENDMENT AND EXTENSION TO A
LOAN AMENDING AND EXTENSION FORBEARANCE AGREEMENT**

THIS AGREEMENT effective as of the 16th day of January, 2015.

AMONG:

NATIONAL BANK OF CANADA
(the "Lender")

- and -

PALLISER OIL & GAS CORPORATION
("Palliser" or the "Borrower")

WHEREAS the Lender and Palliser entered into a Loan Amending and Extension Forbearance Agreement dated July 29, 2014 (the "Loan Amending Agreement"), an Amendment and Extension Agreement dated October 31, 2014 ("Amendment and Extension Agreement"), a Second Amendment and Extension Agreement dated November 7, 2014 ("Second Amendment and Extension Agreement"), a Third Amendment and Extension Agreement dated November 28, 2014 ("Third Amendment and Extension Agreement"), a Fourth Amendment and Extension Agreement dated December 5, 2014 ("Fourth Amendment and Extension Agreement"), a Fifth Amendment and Extension Agreement dated December 12, 2014 ("Fifth Amendment and Extension Agreement"), a Sixth Amendment and Extension Agreement dated December 19, 2014 ("Sixth Amendment and Extension Agreement") and a Seventh Amendment and Extension Agreement dated January 9, 2015 ("Seventh Amendment and Extension Agreement")

AND WHEREAS the parties have agreed to further amend and extend certain dates or milestones set out in the Loan Amending Agreement as amended in the Amendment and Extension Agreement and as further amended in the Second Amendment and Extension Agreement and as further amended in the Third Amendment and Extension Agreement, and as further amended in the Fourth Amendment and Extension Agreement, and as further amended in the Fifth Amendment and Extension Agreement, and as further amended in the Sixth Amendment and Extension Agreement, and as further amended in the Seventh Amendment and Extension Agreement;

AND WHEREAS the parties have agreed to amend the definition of "Default Incidents" as set out in Article 2.3 of the Loan Amending Agreement;

FOR GOOD CONSIDERATION, including the exchange of the extensions and amendment contained herein, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

ARTICLE 1
EXTENSION AND AMENDMENT

1.1 All references to the date October 31, 2014 in the Loan Amending Agreement are replaced with the date January 26, 2015.

1.2 The Lender temporarily waives or defers any breach of any covenant or milestone by the Borrower under the Loan Amending Agreement to January 26, 2015.

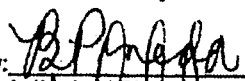
1.3 The Lender and the Borrower hereby agree that up to 100% of the amount to be received by the Borrower in January, 2015 in respect of the outstanding hedges (which amount is estimated to be approximately \$1,300,000) may be used by the Borrower to pay down existing provincial Crown royalties which are currently owed, but may not be used for any other purpose, and that amounts not used to pay down existing provincial Crown royalties (if any) shall be held by the Borrower and not paid out by the Borrower without the express written consent of the Lender.

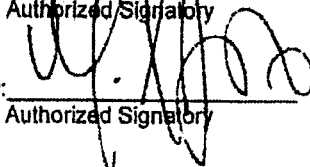
1.4 The Borrower hereby agrees to provide the Lender with a draft reserve report (as at December 31, 2014) prepared by a qualified third party engineering firm acceptable to the Lender by not later than January 23, 2015.

1.5 The Lender and the Borrower hereby agree that a breach of paragraph 1.3 or 1.4 of this Eighth Amendment and Extension Agreement shall constitute a "Default Incident" as that term is defined in article 2.3 of the Loan Amending Agreement.


IN WITNESS WHEREOF, the parties to this Eighth Amendment and Extension Agreement have caused this Agreement to be signed and delivered as of the effective date first written above. This Agreement may be executed in counterpart.

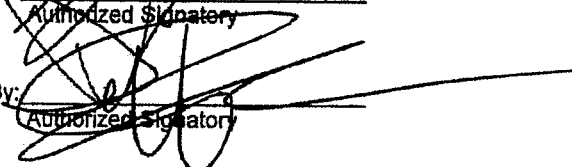
NATIONAL BANK OF CANADA

By: 
Authorized Signatory

By: 
Authorized Signatory

PALLISER OIL & GAS CORPORATION, as Borrower

By: 
Authorized Signatory

By: 
Authorized Signatory

THIS IS EXHIBIT " C " referred to in the Affidavit of Elizabeth Pineda Sworn before me this 2 Day of February, A.D. 2015

PALLISER OIL & GAS CORPORATION

\$75,000,000.00

A COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA Gunnar Benediktsson Barrister & Solicitor

DEMAND DEBENTURE

- 1. (a) PALLISER OIL & GAS CORPORATION ("Company") for value received hereby acknowledges itself indebted and promises to pay to NATIONAL BANK OF CANADA ("Bank") on demand or on such earlier date as the principal monies hereby secured may become payable as hereinafter provided the sum of SEVENTY FIVE MILLION (\$75,000,000) DOLLARS ("Principal Sum") in lawful money of Canada at the Bank's 2700, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8 branch and to pay interest, not in advance, on the Principal Sum to the Bank monthly from the date hereof on the 26th day of each and every month at the annual rate of interest set forth and described in Clause 1(b) hereof; as well after as before maturity, default and judgment in like money at the same rate and to pay interest on overdue interest at the said rate, calculated daily and compounded in arrears monthly and payable on demand, but if no demand, monthly. (b) Interest shall be payable on the Principal Sum outstanding from time to time at an annual rate of interest equal to the Prime Rate in effect from time to time plus seventeen (17%) percent per annum.

2. The Principal Sum shall be deemed to include all debts, obligations and liabilities, direct or indirect, present or future, absolute or contingent, matured or not, now or hereafter owing or incurred from or by the Company to the Bank, whether as principal or surety, whether alone or jointly with any other person, and in whatever name, style or firm and whether arising from dealings between the Bank and the Company, or from other dealings or proceedings by which the Bank may become a creditor of the Company, whether pursuant to the Loan Agreement or otherwise, including without limitation, advances upon overdrawn accounts or upon bills of exchange, promissory notes or other obligations discounted for the Company, or otherwise, negotiable or otherwise, all bills of exchange, promissory notes and other obligations, negotiable or otherwise, representing money and liabilities or any part thereof now or hereafter owing or incurred from or by the Company to the Bank, and all premiums of insurance upon the property comprising the security of this Debenture.

3. In this Debenture, including without limitation, this clause and any schedules hereto, unless there is something in the subject matter or context inconsistent therewith:

- (a) "Assets" shall have the meaning set forth in Clause 5(b) hereto; (b) "Demand" means a written demand given by the Bank to the Company for payment of all or some of the present and future indebtedness, liabilities and obligations of the Company to the Bank which demand may be given at any time at the sole discretion of the Bank, whether or not there is a Default or Event of Default; (c) "Event of Default" shall have the meaning ascribed to it in the Loan Agreement and, in addition, "Event of Default" shall include if there is a Change of Control; (d) "Floating Charge" shall have the meaning set forth in Clause 5(b) hereto; (e) "hydrocarbons" means solid, liquid and gaseous hydrocarbons and any natural gas

whether consisting of a single element or of two or more elements in chemical combination or uncombined and any other substances, whether a hydrocarbon or not, produced in association therewith and, without restricting the generality of the foregoing, includes oil-bearing shale, tar sands, crude oil, petroleum, helium and hydrogen sulphide;

- (f) **"Loan Agreement"** means any and all present and future loan agreements, offering letters, commitment letters, loan offers and similar agreements entered into between the Bank and the Company from time to time and all amendments, extensions, renewals and replacements thereof from time to time including without limiting the generality of the foregoing, the Offering Letter dated September 2, 2011 between the Bank and the Company and all amendments, extensions, renewals and replacements thereof from time to time;
- (g) **"operating equipment"** means all surface and subsurface machinery, apparatus, equipment, facilities and other property and assets of whatsoever nature and kind (excluding drilling rigs, service rigs, trucks, automotive equipment or other property or assets taken on the said lands or any part thereof to drill, service, stimulate or rework any well or wells or to conduct any other temporary operations on the said lands relative to exploring for or producing hydrocarbons) now or hereafter located on any of the said lands or any other lands that are used or useful for the production, treatment, storage or transportation of any of the hydrocarbons including, without limiting the generality of the foregoing, oil wells, gas wells, water wells, injection wells, casing, tubing, rods, pumps and pumping equipment, christmas trees and other wellhead equipment, separators, flow lines, tanks, treaters, heaters, compressors, plants and systems to treat, dispose of or inject water or other substances, power plants, poles, lines, transformers, starters, controllers, machine shops, tools, spare parts and spare equipment, telegraph, telephone, radio and other communication equipment, racks, storage facilities, land records, contracts and seismic and geological data;
- (h) **"Permitted Encumbrances"** shall mean:
- (i) liens for the Company's share of costs and expenses which are not due or delinquent, incurred or created in the ordinary course of business and with respect to current operations concerning the development and operation of a petroleum, natural gas or related hydrocarbon property;
- (ii) all agreements pursuant to which the Company has agreed to (or is committed to) sell, for fair market value, petroleum, natural gas and/or related hydrocarbons from any petroleum, natural gas or related hydrocarbon property to an arm's length purchaser and in the ordinary course of its business;
- (iii) all reservations in the original grant or patent from the Crown of any lands or interests therein and all statutory exceptions, qualifications and reservations in respect of title;
- (iv) all such other claims and encumbrances as are disclosed in security held by the Bank or that the Bank agrees in writing to accept as Permitted Encumbrances;

- (v) liens for the Company's share of taxes not due or delinquent;
 - (vi) undetermined or inchoate liens or charges incidental to current operations which have not at the time been duly registered in accordance with applicable law against the Company or its property and of which no notice has been served upon the Company and which are not due or delinquent;
 - (vii) easements or rights in land granted to public utilities, pipeline owners, common carriers or similar bodies or to any municipality or governmental or other public authority which are not of such nature as to prevent or materially and adversely affect the use of the Assets that are subject thereto;
 - (viii) any right of first refusal or preferential right of purchase contained in any instrument affecting the Assets that is customary in the oil and gas industry in Canada;
 - (ix) any security interests created by this Debenture, and any security interests now or at any time hereafter made or granted by the Company to the Bank to secure any of the present or future debts, liabilities or obligations of the Company to the Bank;
 - (x) those encumbrances listed in Schedule "A" hereto; and
 - (xi) provisions that are customary in the oil and gas industry in Canada for penalties and forfeitures under agreements as a consequence of non-participation in operations;
- (i) "**petroleum and natural gas rights**" means any leasehold, permit, working, royalty, overriding royalty, net profits, fee, mineral or other interest, estate or right in or in respect of any hydrocarbons, including, without restricting the generality of the foregoing, any interest of the Company described in Schedule "A" hereto;
 - (j) "**Prime Rate**" means the rate of interest per annum established by the Bank from time to time as the base rate it will use to determine the rates of interest on Canadian Dollar Loans made in Canada and designated by it as its prime rate. If and whenever the Prime Rate is varied by the Bank the interest rates herein shall also be varied without notice effective on the day such variation in the Prime Rate comes into effect such that at all times the interest rate set out in Clause 1(b) hereof shall be the said number of percentage points above the Prime Rate then in effect. A Certificate of a Manager, Account Manager, or other authorized officer of the Bank shall be conclusive evidence of the Bank's Prime Rate from time to time;
 - (k) "**said lands**" means all of those lands that are described from time to time in Schedule "A" hereto in respect of which the Company now holds or hereafter acquires petroleum and natural gas rights;
 - (l) "**Specific Charges**" shall have the meaning set forth in Clause 5(b) hereto.

In addition, capitalized terms which are not otherwise defined in this Debenture have the

meanings given to such terms in the Loan Agreement.

4. As continuing security for the payment of the Principal Sum, interest and all other monies from time to time owing under this Debenture and the due performance of all the debts, obligations and liabilities of the Company herein contained and in the Loan Agreement, the Company (subject to any exception as to leaseholds herein contained) as beneficial owner hereby:

- (a) mortgages and charges to and in favour of the Bank as and by way of a first, fixed and specific mortgage and charge and grants to and in favour of the Bank a security interest in, all of the right, title and interest now held or hereafter acquired by the Company in and to:
 - (i) the said lands;
 - (ii) the petroleum and natural gas rights held or hereafter held by the Company in the said lands including, without limitation, the petroleum and natural gas rights of the Company described in Schedule "A" hereto;
 - (iii) all lands that are or may be pooled or unitized with the said lands;
 - (iv) all operating equipment;
 - (v) all leases, licenses, permits, reservations, agreements, authorizations and other instruments under which the Company derives, holds, operates or maintains the petroleum and natural gas rights in the said lands and all rights, benefits, privileges and advantages to be derived therefrom;
 - (vi) all contracts for the purchase or utilization of hydrocarbons from or allocated to the said lands; and
 - (vii) all servitudes, leases, licenses, privileges, easements, rights-of-way, rights of ingress and egress and other surface rights under which the Company derives or holds the right to drill for, produce, store, gather, treat or process hydrocarbons upon or in respect of the said lands;
- (b) assigns, mortgages and charges as and by way of first, fixed and specific mortgage, assignment and charge to and in favour of the Bank and grants to and in favour of the Bank a security interest in, all right, title and interest now held or hereafter acquired by the Company in and to:
 - (i) all hydrocarbons produced from or allocated to the said lands;
 - (ii) all monies and proceeds derived from the sale or utilization of the hydrocarbons referred to in paragraph (i) of Clause 4(b) hereof;
 - (iii) all monies receivable under contracts for the purchase, operation and utilization of hydrocarbons from or allocated to the said lands; and

- (iv) all proceeds accruing to the credit of the Company from time to time as a result of its ownership or operation of its interest in the petroleum and natural gas rights in the said lands;
- (c) grants to the Bank a first security interest in all present and after-acquired personal property of the Company and all Proceeds (as defined in the *Personal Property Security Act* (Alberta)), and mortgages, pledges and charges as and by way of a first floating mortgage and charge unto the Bank, all of the Company's present and after-acquired right, title, estate and interest in and to all other property and assets, including without limitation, real property (other than as such real and personal property is from time to time effectively and validly subject to the fixed and specific mortgages, charges and security interests created hereby or by any other instrument) and including without limitation, all proceeds therefrom and all accretions, accessions and substitutions thereto.

TO HAVE AND TO HOLD such property and assets and rights hereby conferred on the Bank for the use and purposes and with the power and authority and subject to the terms, conditions, provisos, covenants and stipulations herein expressed.

Notwithstanding the provisions contained in this Clause 4, the Company shall remain liable to perform and observe all of its duties and obligations in respect of the Assets to the same extent as if this Debenture had not been executed and the exercise by the Bank of any of its rights under this Debenture shall not release the Company from performing and observing such duties and obligations and the Bank shall have no liability for the performance or observance of such duties or obligations by reason only of the execution and delivery of this Debenture.

- 5. (a) Notwithstanding any other provision herein, the security interests in the present and after-acquired property and assets of the Company created in Clause 4 hereto are to attach: (i) to the present property and assets of the Company when this Debenture is executed by the Company; and (ii) to the after-acquired property and assets of the Company immediately upon the Company acquiring rights or interests in such property and assets.
- (b) All property and assets of the Company whether subject to fixed charges or subject to a floating charge under the provisions of Clause 4 hereof are hereinafter referred to as the "**Assets**". Without limiting the generality of the foregoing, the assets subject to the fixed and floating charge as described above shall include: (i) all assets of any entity merging or amalgamating (whether by way of amalgamation, arrangement or otherwise) with the Company; and (ii) all present and future assets of the merged or amalgamated entity. The charges created under subparagraphs (a) and (b) of Clause 4 hereof and the security interests against personal property created in Clause 4(c) hereof are hereinafter referred to as the "**Specific Charges**", and the floating charge against all other property and assets created under Clause 4(c) hereof is hereinafter referred to as the "**Floating Charge**".
- 6. (a) Except as specifically prohibited by other provisions of this Debenture or other agreement or security, the Floating Charge hereby created shall not hinder or prevent the Company (until the Company shall be in default in payment of the Principal Sum or interest hereby secured or any portion of the Principal Sum or interest secured or until the

security hereby constituted shall become enforceable and the Bank shall have determined to enforce the same):

- (i) from selling, assigning, otherwise disposing of or dealing with any part of the Assets included in the Floating Charge but excepting any Assets included under the Specific Charges, in the ordinary course of business and for the purpose of carrying on the same;
 - (ii) from pledging, assigning or giving security or securities to the Bank in priority to the Floating Charge hereby created (whether by way of floating charge or otherwise) on any part of the Assets included under the Floating Charge, but excepting the Assets included under the Specific Charges, to the Bank for present or future debts or liabilities of the Company to the Bank.
- (b) Except as specifically prohibited by other provisions of the Loan Agreement, this Debenture or other agreement or security, prior to Demand by the Bank or an Event of Default occurring, the Company shall be entitled to:
- (i) retain full possession of the Assets subject to the Specific Charges and explore, operate, manage, develop, use and enjoy the same and every part thereof (including without limitation, drilling, reworking, deepening, plugging, cleaning and abandoning of wells, construction and operation of equipment and facilities, carrying out or participating in secondary or tertiary recovery projects, production and sale or disposition of hydrocarbons pursuant to a production sales arrangement) in the ordinary course of business;
 - (ii) commit all or any part of the Assets subject to the Specific Charges to an arrangement for the pooling or unitization of all or any part of such Assets with other lands in the ordinary course of business;
 - (iii) sell, abandon or otherwise dispose of tangible equipment which, in the reasonable opinion of the Company, may have become obsolete, unsuitable or unnecessary in operations or activities relating to the Assets subject to the Specific Charges;
 - (iv) create or suffer to exist Permitted Encumbrances.
- (c) Any reference to Permitted Encumbrances contained in this Debenture in and of itself shall not expressly or by implication result in any Permitted Encumbrance ranking ahead of the Specific or Floating Charges created under this Debenture.

7. The last day of any term of years reserved by any lease, verbal or written, or any agreement therefor now held or hereinafter acquired by the Company, is hereby and shall be excepted out of the Specific and Floating Charges hereby created or by any instrument supplemental hereto and does not and shall not form part of the Assets but the Company shall stand possessed of the reversion remaining in the Company of any leasehold interest forming part of the Assets upon trust to assign and dispose thereof as the purchaser of such leasehold interest shall direct; and upon any sale of any leasehold interest or any

part thereof, the Bank for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new trustee or trustees of the aforesaid reversion of any such term or renewal thereof in place of the Company and to vest the same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting the same.

8. This Debenture is payable at the Bank, at the branch described on page 1 of this Debenture or such other branch of the Bank as may from time to time be designated by the Bank. Interest at the stated rates or at such other rate or rates as may be agreed upon between the parties, calculated daily and compounded monthly not in advance as well as before as after maturity, default and judgment and interest on overdue interest at the same rate, calculated daily and compounded monthly not in advance shall be payable on demand, but if no demand, monthly. Interest payable by the Company is calculated using the nominal rate method of calculation and not the effective rate of calculation and the principle of deemed reinvestment of interest shall not be applied to or affect such calculation of interest.

9. (a) The Company covenants and agrees with the Bank, for as long as this Debenture is outstanding, as follows:
- (i) to pay the Principal Sum on Demand by the Bank or on such earlier date as the principal monies hereby secured may become payable;
 - (ii) to pay interest on the Principal Sum at the rate hereinbefore referred to, monthly;
 - (iii) to pay all other amounts of principal and interest from time to time due by the Company to the Bank as and when the same become payable;
 - (iv) to pay all amounts secured by and to observe and perform all covenants and conditions contained in all other charges on the Assets in accordance with their terms, ranking prior to this Debenture;
 - (v) that it will, at its own cost and expense, at all times do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, mortgages, transfers and assurances in law as the Bank shall require:
 - A. to perfect the security of the Bank on all or part of the Assets in accordance with the terms of this Debenture;
 - B. for the better accomplishing and effectuating of the intentions of this Debenture;
 - (vi) that it will maintain the Assets in good order and repair to the satisfaction of the Bank;
 - (vii) that it will maintain with reputable insurers third party public liability and property damage insurance covering all operations of the Company within limits of coverage usually carried by companies owning or operating the same or a

similar type and size of business and it will keep such of the Assets that are of an insurable nature, and of a character usually insured by companies owning or operating the same or a similar type and size of business, insured with responsible insurers against loss or damage by fire and other causes to the full extent of the insurable value thereof. It will promptly pay all premiums under such insurance policy. If it shall neglect to keep the Assets or any of them insured as aforesaid and to deliver such policies and receipts or to produce to the Bank at least three (3) days before the termination of any such insurance, evidence of renewal thereof, the Bank may but shall not be obligated to insure the Assets or any of them. It shall forthwith on the happening of any loss or damage furnish at its own expense all necessary proofs and do any necessary acts to enable the Bank to obtain payment of the insurance money;

- (viii) that the Bank may but shall not be obligated to pay the amount of any encumbrance, lien or charge now or hereafter existing or to arise or be claimed upon the Assets, including without limitation, taxes, rates, duties, assessments, rents, fees, appropriations on the Assets or any of them, and may pay all costs, charges and expenses which may be incurred in taking, recovering and keeping possession of the Assets, and insurance premiums for fire and other risks or hazards, and any monies paid hereunder by the Bank shall be secured by this Debenture in addition to the Principal Sum and interest and shall be a charge upon the Assets and shall bear interest at the rates aforesaid commencing on the date that notice of such payment is placed in the mail by the Bank addressed to the Company in the manner set out in Clause 24 hereof, or delivered to the Company, and shall be payable by the Company to the Bank on demand;
- (ix) on default in the observance of any of the covenants and conditions herein contained, to deliver up quiet possession of the Assets to the Bank;
- (x) to comply in all material respects with all applicable federal, provincial, municipal or other laws, regulations, ordinances, rules, codes, standards and directions having application to the Assets including but not limiting the generality of the foregoing, those relating to the environment, whether for its protection, preservation, clean-up or otherwise, and will obtain and maintain all necessary permits, licences and other authorizations in connection therewith where the failure to obtain or maintain same would have a material adverse effect on the operations or assets of the Company;
- (xi) the Company will maintain in good standing and will observe and perform all of its covenants and obligations under any agreement or instrument forming part of the Assets now in existence or hereafter entered into by the Company;
- (xii) to maintain good and valid title to the Assets;
- (xiii) to comply with all the provisions of the Loan Agreement including but not limiting the generality of the foregoing, the affirmative and negative covenants contained therein;

- (xiv) to pay and fulfill all present and future obligations of the Company in respect of bankers' acceptances, LIBOR financing or fixed rate financing drawn from time to time by the Company including, without limitation, fees and breakage costs with respect to the bankers' acceptances, LIBOR notes or any fixed rate borrowings paid prior to maturity date and, in addition, the Company indemnifies and saves the Bank harmless from all loss, actions, claims, costs and liabilities which may be brought against or suffered by the Bank or which it may sustain, pay or incur by reason of any matter or thing arising out of or in any way attributable to the bankers' acceptances or LIBOR notes drawn from time to time by the Company or any fixed rate borrowings or any interest rate swaps;
 - (xv) when requested by the Bank, the Company undertakes to forthwith execute and deliver, at its sole cost and expense, to and in favour of the Bank fixed security on the producing oil and gas assets of the Company, as selected by the Bank in its discretion, in form and substance satisfactory to the Bank, and to give effect to the above, the Company constitutes and appoints the Bank the true and lawful attorney of the Company irrevocable with power of substitution to grant the above-described fixed security from time to time, including without limitation, attaching to this Debenture as Schedule "A", from time to time, a land schedule setting forth the oil and gas assets of the Company selected by the Bank as described above in which event such assets shall without any further action be subject to the Specific Charges and shall be subject to all of the terms and conditions thereof as if the same had been so included in Schedule "A" of this Debenture at the time it was executed and delivered to the Bank, and all such acts so taken by the Bank are ratified and confirmed by the Company. This power of attorney is a power coupled with an interest and shall be irrevocable.
- (b) The Company represents and warrants to and in favour of the Bank, as follows:
- (i) all of the provisions of the constating documents, by-laws and any unanimous shareholders' agreements of the Company have been complied with so as to make the Loan Agreement, this Debenture and all other security and agreements between the Company and the Bank valid and binding obligations of the Company;
 - (ii) this Debenture constitutes the valid and binding obligation of the Company, enforceable in accordance with its terms (except that such enforcement may be subject to any applicable bankruptcy, insolvency or similar laws generally affecting the enforcement of creditors' rights and that specific performance and other equitable remedies are subject to the discretion of the courts before which such remedies are sought);
 - (iii) no registration or filing with, or approval by, or consent of, any person is required to be made or obtained by the Company in connection with the execution, delivery or performance of this Debenture, except as may be necessary to perfect the mortgages, charges and security interests hereof;

- (iv) that it has good and valid title to the Assets, free of all encumbrances other than Permitted Encumbrances;
- (v) that it has the right to create upon the Assets the Specific Charges and Floating Charge contained in this Debenture;
- (vi) the Company has not violated any provision of any applicable law, regulation or directive relating to the environment which violation would have a material adverse affect on the assets or operations of the Company and to the best of the knowledge of the Company, no such violation has occurred or is occurring affecting any of its properties or assets;
- (vii) the Company is not in default under or with a lapse of time or giving of notice or both would be in default under, a material term or condition of any agreement or instrument to which it is a party or by which it is bound;
- (viii) the Company is not contingently liable as surety, guarantor, endorser or otherwise with respect to the obligations of any person, firm or corporation.
- (ix) the execution, delivery and performance of the Loan Agreement, this Debenture and all other security and agreements between the Company and the Bank does not violate, conflict with, result in a breach of any terms of or constitute an event of default under or an event which, with the lapse of time or giving of notice or both, would be an event of default under:
 - A. any indenture, mortgage, agreement or other instrument to which the Company is a party to or by which it is bound;
 - B. any provision of any existing law, statute or regulation and does not violate any order, judgment or decree, of which it is aware, of any court or governmental or regulatory authority affecting the Company;
 - C. any provision of the constating documents, by-laws or any unanimous shareholders' agreements of the Company; or
 - D. any resolution of the directors or shareholders of the Company.

10. The Company covenants and agrees with the Bank that for as long as this Debenture is outstanding it will not, without the prior written consent of the Bank:

- (a) create, assume, suffer or permit to be created or levied upon the Assets or any part thereof any mortgage, charge, lien or encumbrance, whether fixed or floating, except as expressly permitted by Clause 6 of this Debenture and except for Permitted Encumbrances;
- (b) sell, assign or transfer or otherwise dispose of the Assets or any part thereof except as

permitted by the terms of the Loan Agreement.

11. Neither the taking of any judgment nor the exercise of any power of seizure or sale shall extinguish the liability of the Company to pay the monies hereby secured, nor shall the same operate as a merger of any covenants herein contained or affect the right of the Bank to interest at the rate set forth in Clause 1 hereof, nor shall the acceptance of any payment or other security constitute or create any novation. The taking of any judgment under any covenant herein contained shall not operate as a merger of such covenant or affect the right of the Bank to recover interest as herein provided.

12. This security is in addition to and not in substitution for any other security, whether over the Assets or otherwise, which the Bank may now or hereafter hold for the Principal Sum or any portion thereof.

13. Notwithstanding anything in this Debenture, upon Demand by the Bank or upon the occurrence of any Event of Default, but subject to Clause 14 of this Debenture, at the option of the Bank, all obligations of the Bank to the Company shall cease, the Floating Charge herein contained that has not been previously fixed shall crystallize and become fixed against all or any part of the Assets as the Bank so specifies, the Principal Sum, all interest, fees and arrears of interest and all other amounts that may be deemed to be secured hereby shall become immediately due and payable and the security hereby constituted shall become enforceable.

14. Upon the occurrence of an Event of Default the Bank may, then or at any time thereafter, in writing, waive such Event of Default, provided always that the position of the parties hereto and the status of the Assets shall be as if such event had not occurred and the Floating Charge herein contained shall be deemed not to have become fixed and crystallized. A waiver of an Event of Default shall not extend to or be taken in any manner whatsoever to affect any subsequent Event of Default, whether similar or not, or the rights resulting therefrom.

15. If the security hereby constituted becomes enforceable the Bank may:

- (a) by its officers, agents or attorneys, take possession of all or any part of the Assets and exclude the Company, its agents and servants, therefrom;
- (b) carry on, manage and conduct the business operations of the Company or cease the operation of all or any portion of the business operations of the Company;
- (c) preserve, maintain and insure the Assets or any of them and make such replacements thereof and additions thereto as it shall deem necessary or desirable;
- (d) receive the rents, incomes and profits thereof of any kind whatsoever;
- (e) pay all liens, encumbrances and other charges ranking in priority to the charge created by this Debenture;
- (f) pay all taxes, wages and other charges required in order to carry on, manage and conduct the business and operations of the Company;

- (g) enjoy and exercise all powers necessary to the performance of all the other powers provided for in this Clause, including but without limiting the generality of the foregoing the power to purchase on credit, borrow money in the Company's name or in its own name and give security for any such borrowing upon all or part of the Assets in priority to the Specific Charges and Floating Charges, and advance its own monies at such rates of interest as the Bank may deem reasonable;
- (h) at its discretion, with or without taking possession, lease or sell, call in, collect or convert into money the Assets or any part thereof;
- (i) at any sale or conveyance of all or any part of the Assets, sell the same either by a sale en bloc or in such parcels as the Bank shall determine, either by public auction, by public tender or by private contract, with or without advertisement or notice or any special condition as to upset price, reserve bid, title or evidence of title, payments or other matter, from time to time as the Bank in its discretion thinks fit with power to vary or rescind any contract of sale or to buy in at any sale or tender in accordance with Clause 19 hereof, and with power to resell with or under any of the powers conferred hereunder without being answerable for any loss and to adjourn any sale from time to time and, without limiting the generality of the foregoing to exercise the power of sale and all other powers conferred on mortgagees by any provincial statute;
- (j) at any sale of the Assets or any part thereof, sell for a purchase consideration payable by instalments either with or without taking security for the second and subsequent instalment and may make and deliver to the purchaser good and sufficient deed or deeds, assurances and conveyances of such property and give receipts for the purchase money, the Bank being hereby constituted as the irrevocable attorney of the Company for the purpose of making sales and executing deeds. Any such sale shall be a perpetual bar both at law and equity against the Company and all those claiming the Assets sold or any part thereof by, from, through or under the Company;
- (k) by instrument in writing appoint any person or persons, whether an officer or officers or an employee or employees of the Bank or not, to be a receiver or receiver and manager of all or any part of the Assets (where the context so requires, hereinafter "receiver" shall include one or more "receivers" and one or more "receivers and managers") and may remove any others in his stead. Subject to the provisions of the instrument appointing such receiver, any such receiver so appointed shall have power to take possession of the Assets or any part thereof and to carry on or concur in carrying on the business of the Company and to sell or concur in selling all or any part of the Assets. Until replaced or removed, a receiver shall have, without limiting the generality of the foregoing, all of the powers set forth in subparagraphs (a) to (j) hereof. The proper fees and expenses of such receiver shall form a charge upon the Assets together with all other property and assets which may come into the custody or control of such receiver in priority to the security created hereby;
- (l) in addition to or in lieu of the appointment of a receiver as aforesaid, the Bank may exercise all or any of its other remedies under this Debenture including, without limitation:

- (i) take proceedings in any Court of competent jurisdiction for the appointment of a receiver of all or any part of the Assets;
- (ii) take proceedings in any Court of competent jurisdiction for sale or foreclosure of all or any part of the Assets;
- (iii) file a proof of claim and other documents to establish its claim in any proceeding relative to the Company;
- (iv) take any other remedy or proceeding authorized or permitted hereby or by law or equity.

The above rights and remedies may be exercised from time to time separately or in combination and are in addition to and not in substitution for any other rights and remedies of the Bank however created.

16. The Company agrees to pay to the Bank forthwith upon demand all costs, charges and expenses (including without limitation, legal fees and disbursements on a solicitor and his own client basis) of or incurred by the Bank in connection with this Debenture or the Assets or any part thereof, or the recovery or enforcement of payment of any of the monies owing hereunder, including without limitation, all costs, charges and expenses in connection with taking possession, protecting, preserving, collecting and realizing upon any part of the Assets, together with interest thereon at the rate hereinbefore provided commencing from the date of incurring such costs, charges and expenses to the date of payment and monies and interest thereon shall until paid, be secured and entitled to the benefit and charge of the security hereby created upon the Assets.

- 17. (a) Any receiver appointed pursuant to Clause 15 hereof shall so far as concerns responsibility for his acts, be deemed the agent of the Company and the Bank shall not be in any way responsible for any misconduct or negligence on the part of any such receiver.
 - (b) The exercise by the Bank of any of the powers or remedies contained in this Debenture shall not render the Bank a mortgagee in possession, and the Bank shall not be responsible or liable, otherwise than as a mortgagee, for any debts contracted by it, for damage to persons or property, or for salaries or non-fulfillment of contracts during any period wherein a receiver appointed by the Bank shall manage the Company or any part thereof.
 - (c) The Bank shall not be liable to account as mortgagee for anything except actual receipts or be liable for any loss on realization or for any default or omissions for which a mortgagee might be liable.
 - (d) The Bank may require any receiver to give security for the performance of his duties; however, the Bank shall not be bound to require such security.
18. (a) Once a receiver has been appointed and possession of the Assets has been taken, all powers, functions, rights and privileges of each of the directors and officers of the

Company with respect to the properties, business and undertaking of the Company shall cease unless specifically continued by the written consent of the Bank.

- (b) Except as may be otherwise directed by the Bank, all monies from time to time received by such receiver shall be held in trust for and paid over to the Bank.
- (c) Every such receiver may, with the consent of the Bank in writing, borrow money for the purpose of carrying on the business and undertaking of the Company, for the protecting and preserving of the Assets or any part or parts thereof, or for other purposes approved by the Bank, and any amount so borrowed, together with interest thereon, shall form a charge upon the Assets together with all other property and assets which may come into the custody or control of such receiver, in priority to the security created hereby, but subject to the aforementioned charge with respect to the fees and disbursements of such receiver.
- (d) The rights and powers conferred by this Clause are in supplement of and not in substitution for any rights or powers the Bank may from time to time have as the holder of this Debenture, and every such receiver may in the discretion of the Bank be vested with all or any of such rights and powers of the Bank; and the remedies for the realization of the security hereby constituted or for the enforcement of the rights of the Bank are not exclusive of or dependent upon any other remedy but any one or more of such remedies may from time to time be exercised independently or in combination and save as otherwise provided by law without notice to the Company and without any other formality.

19. In the event that the Bank by its officers, agents or attorneys or through a receiver appointed for the purpose, sells the Assets or any of them:

- (e) the Bank, its officers, agents or attorneys or the receiver appointed for the purpose, may rescind or vary any sale;
- (a) the Bank may bid on any or all of the Assets and buy in at any sale or tender whether such sale or tender is made under the power of sale herein contained or pursuant to judicial proceedings or otherwise; and
- (b) a person purchasing the Assets or any of them shall not be bound to enquire into the legality, regularity or propriety of any such sale and no such sale shall be invalidated by lack of default, want of notice or any other irregularity or impropriety.

20. The net proceeds of sale shall be applied subject to the claims of all creditors (if any) ranking prior to this Debenture:

- (a) first, in payment of all costs, charges and expenses of and incidental to the exercise by the Bank or receiver of any or all of the aforesaid powers including, without limitation, the proper fees and expenses of any receiver appointed for the purpose of exercising the powers, and all outgoings properly payable by the Bank or such receiver;

- (b) second, in or towards payment to the Bank of the Principal Sum, interest, and all other amounts secured hereby in any order that the Bank deems proper;
- (c) third, subject to any prior claims, in payment to the Company or for its account.

21. The costs incurred in exercising the powers contained in clauses (a) to (l) of Clause 15 hereof and the costs and salaries of a receiver shall be payable by the Company as incurred. Any expense borne by the Bank in connection thereunder shall be recovered by the Bank against the Company and shall be secured hereby in priority to all subsequent charges.

22. The Principal Sum and interest and other monies hereby secured will be paid and shall be assignable free from any right of set-off or counterclaim or equities between the Company and the Bank.

23. If the Company, its successors or assigns, shall pay or cause to be paid to the Bank the monies secured by this Debenture and shall otherwise observe and perform the terms thereof, then this Debenture and the rights hereby granted shall cease and be void and thereupon the Bank shall, at the request and at the expense of the Company, its successors and assigns, cancel and discharge the security of this Debenture and execute and deliver to the Company, its successors and assigns, such deeds or other instruments as shall be requisite to cancel and discharge the security hereby constituted; provided, however, that this Debenture may be assigned, pledged, hypothecated or deposited by the Company as security for advances or loans to or for indebtedness or other obligations or liabilities of the Company, and in such event this Debenture shall not be deemed to have been discharged or be deemed so by reason of the account of the Company having ceased to be indebted whilst it remained so assigned, pledged, hypothecated or deposited.

24. Any notice required by law or this Debenture to be served upon either of the parties shall be sufficiently served if sent by registered mail, delivered by hand or sent by telecopy, in the case of the Bank, to the branch as described in Clause 1 of the Debenture or, in the case of the Company, to its last known address or telecopy number as appears in the records of the Bank; and either party may by notice given in accordance with this Clause change its address for the purposes hereof. Any such notice given by telecopy or delivered by hand shall be deemed to have been received on the date of such service and any such notice given by mail shall be deemed to have been received on the third business day following the date of mailing.

25. This Debenture and all its provisions shall enure to the benefit of the Bank, its successors and assigns, and shall be binding upon the Company, its successors and permitted assigns.

26. The terms "herein", "hereof" and "hereby" and other terms having a like meaning, wherever used in this Debenture, shall be deemed to be a reference to this Debenture unless the context otherwise requires.

27. The Company shall not, except in the ordinary course of its business, remove any of the Assets from the jurisdiction in which the Assets are located without the prior written consent of the Bank.

28. Nothing contained in this Debenture shall curtail or limit the remedies of the Bank as permitted by any statute or law applicable to a mortgagee or creditor.

29. This Debenture shall be governed by the laws of the Province of Alberta. The Bank may commence and prosecute legal proceedings against the Company pursuant to or in relation to this Debenture in the courts of Alberta or such other jurisdiction or jurisdictions as the Bank may, in its sole and absolute discretion, deem advisable, and the Company attorns to the non-exclusive jurisdiction of the court or courts so selected by the Bank.

30. The terms of the Loan Agreement shall not merge or be superseded by this Debenture but shall continue in full force and effect. In the event of a conflict among the terms of this Debenture, the Loan Agreement and any other agreement between the parties (such that the terms of such documents cannot co-exist) then the terms of the Loan Agreement shall prevail. Without limiting the generality of the foregoing, if there is any right or remedy of the Bank set out in any one document which is not set out or provided for in another document, such additional right or remedy shall not constitute a conflict or inconsistency.

31. Nothing in this Debenture or any other agreement between the Company and the Bank shall be construed as affecting or limiting the Bank's right to make Demand for payment of any or all indebtedness, liabilities and obligations of the Company to the Bank under the Loan Agreement or this Debenture. The Bank may, in its sole and absolute discretion, demand (whether or not a Default or Event of Default has occurred) at any time payment in part or in full of all indebtedness, liabilities and obligations of the Company to the Bank under the Loan Agreement and this Debenture.

32. The Company hereby covenants and agrees that neither the creation nor the delivery of this Debenture shall obligate the Bank to advance any money to the Company, or having advanced a portion, obligate the Bank in any way to advance the balance thereof; but nevertheless the lien, charge, mortgage, assignment and security interest created and secured hereby shall take effect forthwith upon execution of this Debenture and shall operate as continuing security for the actual amount of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Company to the Bank or remaining unpaid.

33. This Debenture shall be treated as a negotiable instrument and all persons may act accordingly.

34. In the event that any term or provision of this Debenture shall, to any extent, be invalid and unenforceable, the remaining terms and provisions of this Debenture shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

35. The Company shall be solely liable for all abandonment and reclamation costs, now or in the future, attributable to the Assets and for all liability for environmental liabilities or damage, now or in the future, attributable to the Assets and, in addition, the Company shall indemnify and save harmless the Bank from and against all liability, loss, cost, claim, expense or damage (including without limitation, legal costs on a solicitor and own client basis) suffered, sustained, paid or incurred by the Bank arising out of or in connection with any abandonment or reclamation or any environmental liability, now or in the future, relating to the Assets. This covenant and indemnity shall survive the satisfaction, release or enforcement of this Debenture or any security collateral hereto and the full repayment of the indebtedness of the Company to the Bank and shall continue in full force and effect for the benefit of the Bank.

36. The *Land Contracts (Actions) Act* of the Province of Saskatchewan shall have no application to any action as in such Act defined, with respect to any mortgage, charge or other security given by the

Company under this Debenture.

37. The *Limitation of Civil Rights Act* of the Province of Saskatchewan shall have no application to:
- (a) this Debenture;
 - (b) any indenture, instrument or agreement entered into by the Company at any time hereafter, supplemental or ancillary to or in implement of this Debenture and involving the payment by the Company of money, or the liability of the Company to pay money;
 - (c) any mortgage, charge or other security for the payment of the money made, given or created by this Debenture or by any indenture, instrument or agreement referred to or mentioned in Clause 37(b) hereto;
 - (d) any instrument or agreement entered into by the Company at any time hereafter, renewing or extending or collateral to this Debenture, renewing or extending or collateral to any indenture, instrument or agreement referred to or mentioned in Clause 37(b) hereto, or renewing or extending or collateral to any mortgage, charge or other security referred to or mentioned in Clause 37(c) hereto; or
 - (e) the rights, powers, or remedies of the Bank under this Debenture or under any mortgage, charge, other security, indenture, instrument or agreement referred to or mentioned in Clause 37(a) to (d) inclusive.
38. Time shall be of the essence.
39. The Company will indemnify the Bank and its successors and assigns, against any and all liabilities, actions, claims, judgments, costs, charges and legal fees that may be made against or incurred by the Bank, by reason of the assertion that the Bank has received funds from the production of hydrocarbons from the Assets that may be claimed by third persons, either before or after the payment in full of the Principal Sum, interest and other monies secured hereby and either before or after the release either wholly or partially of the security of this Debenture; and the Bank shall have the right to defend against any such claims, actions and charges and claim from the Company all expenses incurred by the Bank in connection therewith, together with all reasonable legal fees (on a solicitor and own client basis) as may be paid by the Bank in connection therewith. It is understood and agreed that the covenants and conditions of this subclause shall at all times be construed to be a personal covenant in favour of the Bank, and that such covenants and indemnity shall remain in full force and effect notwithstanding the payment of the Principal Sum, interest and all other monies secured by this Debenture and the release, either partially or wholly, of the security hereof, or any foreclosure hereof.
40. All representations, warranties, conditions, terms, covenants and undertakings made or given hereunder shall survive the execution and delivery of this Debenture and the making of each advance and the consummation of the transactions contemplated hereunder and shall, notwithstanding the making of each advance or the continuation of such transactions, continue in full force and effect for the exclusive benefit of the Bank.
41. Notwithstanding Section 31 of the *Property Law Act* (British Columbia) the doctrine of

consolidation shall apply to this Debenture.

42. For all purposes, including without limitation, any application to register a crystallized floating charge under the *Land Title Act* (British Columbia) against any real property, the floating charge created by the Debenture shall be crystallized and become a fixed charge upon the earliest of:

- (a) the occurrence of an Event of Default or the Bank making a demand for payment of any or all of the Principal Sum or any other monies owing by the Company to the Bank; or
- (b) the Bank taking any action pursuant to this Debenture to enforce and realize upon the security constituted by this Debenture;

and in any event upon the appointment by the Bank of a receiver pursuant to this Debenture.

43. The Company acknowledges having received a copy of this Debenture and hereby waives the right to receive from the Bank a copy of any financing statement, financing change statement or other statement or document filed or registered at any time in respect of this Debenture or any verification statement or other statement or document issued by any registry that confirms or evidences registration of or relates to this Debenture.

IN WITNESS WHEREOF the Company has executed this Debenture as of the 20 day of September 2011.

PALLISER OIL & GAS CORPORATION

Per: _____

Name:

Kevin J. Gibson

Title:

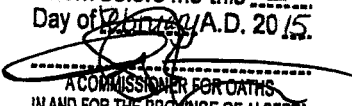
President and Chief Executive
Officer

SCHEDULE "A"
TO DEMAND DEBENTURE BY
PALLISER OIL & GAS CORPORATION
in favour of NATIONAL BANK OF CANADA

[No Said Lands or Petroleum And Natural
Gas Rights Have Yet Been Included In This
Schedule "A"]

FIRST SUPPLEMENTAL DEBENTURE
PALLISER OIL & GAS CORPORATION

THIS IS EXHIBIT " D "
referred to in the Affidavit of
Elizabeth Pineda
Sworn before me this 2
Day of January A.D. 2013.


A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

Gunnar Benediktsson
Company & Solicitor

WHEREAS PALLISER OIL & GAS CORPORATION (hereinafter referred to as the "Company") created a debenture dated September 20, 2011 (hereinafter referred to as the "Debenture") to secure the sum of SEVENTY FIVE MILLION (\$75,000,000) DOLLARS together with interest at the rate specified in the Debenture, and the Company did issue and deliver the Debenture in favour of National Bank of Canada (hereinafter referred to as the "Lender");

WHEREAS the Company agrees to make and issue and deliver this First Supplemental Debenture to amend certain terms of the Debenture.

THEREFORE in consideration of the premises, this First Supplemental Debenture witnesses:

1. Except as defined herein, the capitalized terms used herein shall have the same meaning as set forth in the Debenture.
2. The Principal Sum of the Debenture is increased to ONE HUNDRED AND FIFTY MILLION (\$150,000,000) DOLLARS and the Debenture is amended accordingly.
3. As collateral security for the payment of the principal sum and interest set forth in the Debenture, as amended herein, and of all other monies from time to time owing by the Company to the Lender under the Debenture or otherwise and either directly or indirectly including any liability to the Lender under and by virtue of any guarantee, and for the due performance of the obligations and the covenants of the Company contained in the Debenture, in the Loan Agreement and in any other collateral securities and agreements held by the Lender from time to time, the Company (subject to the exception as to leaseholds contained in Clause 7 of the Debenture) reconfirms the first fixed and specific mortgage, charge and security interest and floating charge in favour of the Lender over the assets described in Clause 4 of the Debenture.
4. The Company ratifies and confirms the Debenture as modified, supplemented or amended pursuant to the provisions hereof and all of the covenants, terms, conditions and provisos contained in the Debenture.
5. The Company ratifies and confirms the Pledge Agreement dated September 20, 2011 as an effective pledge of the Debenture as modified, supplemented or amended pursuant to the provisions hereof.

IN WITNESS WHEREOF, the Company has duly executed this First Supplemental Debenture on this 25 day of January, 2013.

PALLISER OIL & GAS CORPORATION

Per: _____

Name: _____

Title: _____

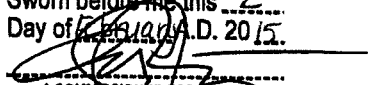
Kevin J. Gibson, P.Geol
Chief Executive Officer

Per: _____

Name: _____

Title: _____

Ivan J. Condic, CA
Vice President, Finance & CFO

THIS IS EXHIBIT "E" referred to in the Affidavit of Elizabeth Pineda. Sworn before me this 2 Day of March, A.D. 2015.

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

SECOND SUPPLEMENTAL DEBENTURE

Gunnar Benediktsson
Registrar & Solicitor

THIS SECOND SUPPLEMENTAL DEBENTURE dated as of the 20 day of March, 2014 (this "Second Supplemental Debenture") is made by PALLISER OIL & GAS CORPORATION, a corporation incorporated and existing under the laws of Alberta (the "Corporation") in favour of the NATIONAL BANK OF CANADA (the "Lender").

WHEREAS the Corporation issued and granted a fixed and floating charge demand debenture dated as of the 20th day of September, 2011 in favor of the Lender, in the principal amount of Seventy Five Million Dollars (\$75,000,000) (as amended and supplemented by the First Supplemental Debenture and this Second Supplemental Debenture, and as may be further amended and/or supplemented from time to time, the "Debenture"), which it has pledged to the Lender pursuant to a Pledge Agreement dated the date thereof (the "Pledge");

AND WHEREAS the Corporation issued and granted to the Lender a First Supplemental Debenture dated the 25th day of January, 2013 (the "First Supplemental Debenture") for the purpose of, among other things, increasing the amount of the Debenture to One Hundred Fifty Million Dollars (\$150,000,000);

AND WHEREAS in accordance with Clause 9(a)(xv) of the Debenture, the Corporation covenanted and agreed to provide fixed charge security upon the request of the Lender, and the Corporation has been requested by the Lender, and has agreed, to grant and provide fixed charge security over certain properties and interests, including without limitation, those which are described in Appendix "A" attached hereto;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Corporation, the Corporation hereby covenants and agrees with the Lender as follows.

1. Interpretation

- (a) **Definitions.** All capitalized terms contained in this Second Supplemental Debenture not defined herein which are defined in the Debenture shall, for all purposes, have the meanings given to such terms in the Debenture, unless the subject matter or context hereof otherwise requires or specifies.
- (b) **Headings.** The insertion of headings and the division of this Second Supplemental Debenture into Sections is for convenience of reference only and shall not affect the construction or interpretation of this Second Supplemental Debenture.

2. Amendments

The Debenture is hereby amended as set forth in this Section 2.

- (a) **Continuous Charge.** By adding the following after the last sentence of Clause 5(b): "The Specific Charges and the Floating Charge created under this Debenture shall each be a continuous charge notwithstanding that Schedule "A" hereto may be amended from time to time and further notwithstanding that Schedule "A" hereto may not set forth or describe any properties from time to time; and further, shall be, and be deemed to be, effective whether or not the monies secured hereby or any part thereof shall be advanced before, upon or after the date of execution and issuance of this Debenture."

- (b) **No Subordination.** By adding the following as the second sentence of Clause 6(c): "Nothing in this Debenture shall be construed as a subordination by the Lender of the Specific Charges or Floating Charge created under this Debenture to any of the Permitted Encumbrances, it being the intent that each such charge shall be a first priority mortgage, charge and security interest."
- (c) **Schedule "A".** By attaching Appendix "A" hereto to the Debenture as Schedule "A" thereto in replacement of such existing Schedule "A".

3. Incorporation in Debenture

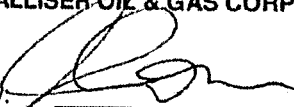
This Second Supplemental Debenture is supplemental to the Debenture and is executed, acknowledged and delivered pursuant to the provisions thereof. The Debenture and this Second Supplemental Debenture shall henceforth be read together and shall have effect, so far as practicable, as if all the provisions thereof and hereof were contained in one instrument. All references in the Debenture and this Second Supplemental Debenture to the term "debenture" when not qualified by the words "Second Supplemental" shall mean the Debenture as supplemented by and amended by this Second Supplemental Debenture. All references in the Debenture to "Debenture" shall from and after the date hereof mean the Debenture as amended by this Second Supplemental Debenture.

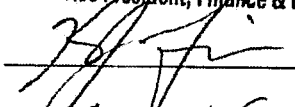
4. General Provisions

- (a) **Confirmation of Debenture and Pledge.** The Debenture and all covenants, terms and provisions thereof, except as expressly changed, altered, amended, modified or supplemented by this Second Supplemental Debenture, and the security created thereby and hereby, is in all respects confirmed, ratified and preserved. Except as expressly amended by the provisions hereof, the terms and conditions of the Debenture and the Pledge shall remain in full force and effect. The Debenture, as amended by this Second Supplemental Debenture, is assigned, transferred, pledged and hypothecated to the Lender, all upon the same terms and conditions as set forth in the Pledge. The Corporation ratifies and confirms the Pledge as an effective pledge of the Debenture.
- (b) **Due Authorization.** The Corporation represents and warrants to the Lender that all necessary corporate proceedings have been taken to make this Second Supplemental Debenture a legal, valid and binding obligation of the Corporation.
- (c) **Enurement.** This Second Supplemental Debenture shall enure to the benefit of the Lender and its successors and assigns and shall be binding upon the Corporation and its successors and permitted assigns.
- (d) **Governing Law.** This Second Supplemental Debenture shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. The Corporation irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Alberta, without prejudice to the rights of the Lender to take proceedings in any other jurisdictions.
- (e) **Counterparts.** This Second Supplemental Debenture may be executed in any number of counterparts, including by way of facsimile or electronic signature, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Corporation and the Lender have duly-executed this Second Supplemental Debenture by their respective duly-authorized officer(s) as of the date and year first above written.

PALLISER OIL & GAS CORPORATION

By: 
Name: Ivan J. Condit, CA
Title: Vice President, Finance & CFO

By: 
Name: KEVIN GIBSON
Title: Pres & CEO

NATIONAL BANK OF CANADA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

APPENDIX "A"

See attached Mineral Property Report of the Corporation (comprising 352 pages).

PLEDGE AGREEMENT

THIS IS EXHIBIT " F " referred to in the Affidavit of Elizabeth Pinda Sworn before me this 2 Day of February A.D. 2015.

A COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA

Gunnar Benediktsson
Barrister & Solicitor

TO: NATIONAL BANK OF CANADA

The undersigned, having deposited with, pledged to or transferred to the National Bank of Canada, (the "Lender") or to any nominee or nominees of the Lender the Debenture dated as of the date hereof granted by the undersigned in favour of the Lender (and the said Debenture is deemed so deposited with and pledged to the Lender) in consideration of the sum of One (\$1.00) Dollar (the receipt whereof is hereby acknowledged) agrees that the said Debenture as may be amended or supplemented from time to time together with any security which the Lender will allow to be substituted therefor or any part thereof (herein collectively referred to as the "Security") shall be held by the Lender as continuing security for the payment of all present and future debts, obligations and liabilities (whether direct or indirect, absolute or contingent) of the undersigned to the Lender, including without limitation, all debts, obligations and liabilities under any guarantee or other document given to or in the future to be given to the Lender by the undersigned, interest on all such debts, obligations and liabilities and all costs, charges and expenses incurred in connection with all such debts, obligations and liabilities (collectively referred to as the "Liabilities").

The Lender is hereby authorized on default or upon demand of payment, and as, when and if the Lender shall think proper, to sell the Security or any part thereof or its rights hereunder at public auction or by tender or by private treaty and agreement without notice or advertisement and at such time or times and on such terms and conditions as the Lender shall determine. At any such sale the Lender may itself purchase, at such price as may be reasonable in the circumstances, the whole or any part of the Security sold free from any right of redemption on the part of the undersigned which is hereby waived and released, the undersigned hereby expressly waiving all and every formality prescribed by law in relation to any such sale and authorizing the Lender or any officer of the Lender as attorney irrevocable, with power of substitution, for and in the name of the undersigned to sign and seal all documents and to fill in all blanks in signed powers of attorney and transfers necessary in order to complete the transfer of the Security to the Lender or its officers or any purchaser.

In addition to the foregoing rights and remedies and not in substitution therefor, and without selling the Security the Lender is hereby authorized, on default or upon demand of payment, as the holder of the Security to exercise any and all rights of a holder of the Security to enforce the security thereof or provided therefor and either itself or through an agent, trustee or receiver or other person, to exercise or cause to be exercised for its benefit all or any of the rights and remedies on default or upon demand of payment provided for the benefit of the holder or holders of the Security.

The Lender shall not be obliged to exhaust its recourse against the undersigned, any other person or persons, or any other security it may hold with respect to the Liabilities before realizing upon or otherwise dealing with the Security. The Lender may grant extensions of time and other indulgences, take and give up securities other than the Security referred to above, accept compositions, grant releases and discharges and otherwise deal with the undersigned and all other parties and securities as the Lender may see fit, all without prejudice to the Security or the Lender's rights in respect of the Security and thereby constituted.

The Security is in addition to and not in substitution for any other security or agreement now or hereafter held by the Lender, and shall not operate as a merger of any simple contract debt or suspend the fulfilment of, any present or future debts, liabilities, or obligations of the undersigned to the Lender or any other security now or hereafter held by the Lender for the payment or fulfilment thereof.

Each and every right, remedy and power conferred by this Pledge Agreement is in supplement of and in addition to and not in substitution for any other right, remedy or power the Lender may have from

time to time under any other security or in any other agreement or under the law in force at the time of the exercise of such right, remedy or power. The Lender may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Lender shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination. The Lender shall not be bound under any circumstances to realize upon the Security and shall not be responsible for any loss occasioned by any sale or other dealing with the Security or by the retention of or failure to sell or otherwise deal with the same.

Notwithstanding the principal amount of the Debenture and the interest rate provided therein, the obligations secured by the pledge thereof pursuant hereto shall not exceed the amount of the Liabilities together with the amounts (other than the principal amount and interest thereon set out in the Debenture) from time to time owing by the undersigned as provided in the Debenture.

The proceeds of the Security may be applied in reduction of any part of the Liabilities as the Lender may see fit without prejudice to its claim for any deficiency.

Payment by the undersigned to the Lender of interest for any period in respect of the debts, liabilities and obligations of the undersigned to the Lender, shall be deemed to be payment in full satisfaction of the interest payment for the same period provided for under the terms of the Security.

The undersigned shall pay to the Lender all reasonable out-of-pocket costs and expenses, including all legal fees (on a solicitor and his own client basis) and other expenses incurred by the Lender from time to time in the documentation, execution, registration, enforcement, realization and collection of or in respect of this Pledge Agreement. All such amounts shall become part of the Liabilities, shall be payable by the undersigned on demand, shall bear interest at the rate set forth in the Security in respect of the principal amount thereof calculated from the date incurred by the Lender to the date paid by the undersigned, and such amounts and interest shall be secured by the Security. This provision shall not be construed to limit any other provisions of the Security or any other agreement dealing with payment of expenses by the undersigned.

The records of the Lender as to payment of any Liabilities being in default or of any demand for payment having been made will be *prima facie* evidence of such default or demand, absent manifest error.

Time shall be of the essence.

The undersigned may not assign its interest or obligations under this Pledge Agreement or the Security (except as set out in this Pledge Agreement) without prior written consent of the Lender which consent may be arbitrarily withheld. The Lender may assign this Pledge Agreement without consent of or prior notice to the undersigned.

This Pledge Agreement shall enure to the benefit of the Lender, its successors and assigns, and shall be binding upon the undersigned, its successors and assigns.

This Pledge Agreement shall be governed by the laws of the Province of Alberta. The Lender may commence and prosecute legal proceedings against the undersigned pursuant to or in relation to this Pledge Agreement in the courts of Alberta or such other jurisdiction or jurisdictions as the Lender may, in its sole and absolute discretion, deem advisable, and the undersigned attorns to the jurisdiction of the court or courts so selected by the Lender.

In the event that any term or provision of this Pledge Agreement shall, to any extent, be invalid and unenforceable, the remaining terms and provisions of this Pledge Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

The undersigned, at its expense, shall promptly deliver to the Lender, upon request by the Lender, all such other and further documents, agreements, opinions, certificates and instruments (executed, as necessary) in order to give effect to the covenants and agreements of the undersigned in this Pledge Agreement, all as may be reasonably necessary or appropriate in connection therewith.

Any and all notices or other communications required or permitted pursuant to this Agreement shall be in writing and shall be given in the manner stipulated in the Security.

The undersigned acknowledges having received a copy of this Pledge Agreement and hereby waives the right to receive from the Lender a copy of any financing statement, financing change statement or other statement or document filed or registered at any time in respect of this Pledge Agreement or any verification statement or other statement or document issued by any registry that confirms or evidences registration of or relates to this Pledge Agreement.


IN WITNESS the undersigned has executed this Pledge Agreement this 30 day of September, 2011.

PALLISER OIL & GAS CORPORATION

Per: _____

Name: Kevin J. Gibson
Title: President and Chief Executive Officer

GENERAL ASSIGNMENT OF BOOK DEBTS

THIS IS EXHIBIT " G " referred to in the Affidavit of Elizabeth Pineda Sworn before me this 2 Day of February, D. 2015.

A COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA
Gunnar Benediktsson
Barrister & Solicitor

1. FOR VALUABLE CONSIDERATION, receipt whereof is hereby acknowledged, the undersigned

PALLISER OIL & GAS CORPORATION
(Full name of undersigned)

of 600, 840-6th Avenue S.W., Calgary
(Full address of undersigned)

in the Province of Alberta, hereby assign(s) transfer(s) and grant(s) to NATIONAL BANK OF CANADA. a Chartered Bank having its Head Office at the City of Montreal in the Province of Quebec, and having a branch office at Calgary in the Province of Alberta (hereinafter called the "Bank") a continuing and specific security interest in all debts, proceeds, accounts, claims, money and choses in action which now are or which may at any time hereafter be due or owing to or owned by the undersigned and also all deeds, documents, writings, papers and books relating to or being records of goods or their proceeds, or by which goods or their proceeds are or may hereafter be secured, evidenced, acknowledged or made payable including Documents of Title, (and remaining debt instruments) Chattel Paper, Investment Property and Instruments, and all contractual rights and insurance claims relating to collateral (hereinafter called the "Collateral").

2. The undersigned agrees that the Collateral shall be held by the Bank as general and continuing collateral security for the payment of all obligations, indebtedness and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, of the undersigned to the Bank, wheresoever and howsoever incurred, and any ultimate unpaid balance thereof, and as a first and prior claim upon the Collateral.
3. The undersigned covenants at all times to notify the Bank in writing promptly of any change in the information contained herein relating to the undersigned (including the name and location of the chief executive office, sole place of business or residence, as the case may be, of the undersigned aforesaid) and of any material default by any person in payment or other performance of obligations to the undersigned with respect to any of the Collateral.
4. So long as this assignment remains in effect, the undersigned covenants not to sell, or further assign or encumber the Collateral without the prior written consent of the Bank. The undersigned represents and warrants that the Collateral is genuine and owned by the undersigned free of all security interests or other encumbrances, other than Permitted Encumbrances.
5. Upon the occurrence of an Event of Default or demand for payment by the Bank, the Bank may collect, realize, sell or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times, as may seem to it advisable and without notice to the undersigned. All moneys collected or received by the undersigned in respect of the Collateral shall be received as trustee for the Bank, and shall be forthwith paid over to the Bank by the undersigned.
6. The Bank shall not be bound to do, observe or perform or see to the observance or performance by the undersigned of any obligations or covenants imposed upon the undersigned nor shall the Bank be obliged to preserve rights against other persons in respect of any Investment Property or Records in its possession.
7. The Bank may apply the amounts collected or received by it on account of such parts of the indebtedness and liabilities of the undersigned to the Bank as the Bank deems best or hold the same in a separate collateral account for such time as it may see fit and then apply the same as aforesaid, the whole without prejudice to its claim for any deficiency.
8. The Bank may compound, compromise, grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the debtors of the undersigned, the undersigned and others, and with the Collateral and other securities as the Bank may see fit, without prejudice to the liability of the undersigned or the Bank's right to hold and realize this security.

9. The Bank shall not be liable or accountable for any failure to collect, realize or obtain payment of the Collateral or any part thereof and the Bank shall not be bound to institute proceedings for the purpose of collecting, realizing or obtaining payment of the same or for the purpose of preserving any rights of the Bank, the undersigned or any other person, firm or corporation in respect of the same, and the Bank shall not be responsible for any loss or damage which may occur in consequence of the negligence of any officer, agent or solicitor employed in the collection or realization thereof.
10. The Bank may charge on its own behalf and also pay to others reasonable sums for expenses incurred and for services rendered (expressly including legal advices and services) in or in connection with collecting, realizing and/or obtaining payment of the Collateral or any part thereof and may add the amount of such sums to the indebtedness of the undersigned.
11. So long as this assignment remains in effect, the undersigned covenants and agrees to deliver to the Bank from time to time promptly upon request any Documents of Title (and remaining debt instruments), Instruments, Investment Property and Chattel Papers constituting, representing or relating to the Collateral; all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral for the purpose of inspecting, auditing or copying the same; all financial statements prepared by or for the undersigned regarding the undersigned's business; all policies and certificates of insurance relating to the Collateral, and such information concerning the Collateral, the undersigned, the undersigned's business and affairs as the Bank may reasonably request.
12. The undersigned shall from time to time forthwith on the Bank's request do, make and execute all such financing statements, further assignments, documents, acts, matters and things as may be required by the Bank or with respect to the Collateral or any part thereof or as may be required to give effect to these presents, and the undersigned hereby constitutes and appoints the Manager or Acting Manager for the time being of the above mentioned branch of the Bank the true and lawful attorney of the undersigned irrevocable with full power of substitution to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the undersigned whenever and wherever it may be deemed necessary or expedient.
13. This agreement shall be a continuing agreement in every respect, and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. No remedy for the enforcement of the rights of the Bank hereunder shall be exclusive of or dependent on any other such remedy, but any one or more of such remedies may from time to time be exercised independently or in combination. The security interest created or provided for by this agreement is intended to attach when this agreement is signed by the undersigned and delivered to the Bank. The undersigned acknowledges and confirms that there has been no agreement between the Bank and the undersigned to postpone the time for attachment of the security interest hereby attached.
14. Nothing in this assignment contained shall or shall be deemed to restrict the rights and remedies at law or in equity or under any applicable personal property security legislation or otherwise, of the Bank against the undersigned and the Collateral, it being hereby agreed by the undersigned that the Bank has and shall have all such rights and remedies as if the same were herein at length set forth and by this reference the same are incorporated in and form a part hereof.
15. Should the undersigned be entitled to a release or discharge or amendment to any financing statement registered by the Bank relating to this assignment, then the undersigned will pay to the Bank all costs, charges, expenses and lawyer's fees and disbursements (as between a solicitor and his own client on a full indemnity basis) incurred by the Bank in connection with such release, discharge or amendment.
16. For greater certainty it is declared that any and all future loans, advances or other value which the Bank may in its discretion make or extend to or for the account of the undersigned shall be secured by this assignment. If more than one person executes this agreement their obligations hereunder shall be joint and several.
17. This assignment shall be governed by and construed in accordance with the law of the Province of Alberta, as the same may from time to time be in effect, including, where applicable, the *Personal Property Security Act* and the terms "Documents of Title", "Chattel Paper", "Investment Property" and "Instruments" shall have the meaning

Search ID#: Z06416835

Transmitting Party

NORTON ROSE FULBRIGHT CANADA LLP

Suite 3700, 400- 3rd Avenue SW
Calgary, AB T2P 4H2

Party Code: 60003332
Phone #: 403 267 9468
Reference #: 01124572-0585 RV/js

Search ID #: Z06416835

Date of Search: 2015-Jan-26

Time of Search: 11:56:36

Business Debtor Search For:

PALLISER OIL AND GAS CORPORATION

Inexact Result(s) Only Found

THIS IS EXHIBIT " H " referred to in the Affidavit of Elizabeth Pineda Sworn before me this 2 Day of February A.D. 2015

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

Gunnar Benediktsson
Barrister & Solicitor

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID#: Z06416835

Business Debtor Search For:

PALLISER OIL AND GAS CORPORATION

Search ID #: Z06416835

Date of Search: 2015-Jan-26

Time of Search: 11:56:36

Registration Number: 11091312519

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Sep-13

Registration Status: Current

Expiry Date: 2021-Sep-13 23:59:59

Inexact Match on: Debtor

No: 1

Debtor(s)

Block

Status

1 PALLISER OIL & GAS CORPORATION
840 - 6TH AVENUE SW, SUITE 600
CALGARY, AB T2P 3E5

Current

Secured Party / Parties

Block

Status

1 NATIONAL BANK OF CANADA
2700, 530 - 8TH AVENUE SW
CALGARY, AB T2P 3S8

Current

Block

Status

2 BANQUE NATIONALE DU CANADA
2700, 530 - 8TH AVENUE SW
CALGARY, AB T2P 3S8

Current

Collateral: General

Block

Description

Status

1 ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY
AND PROCEEDS: GOODS, CHATTEL PAPER, INVESTMENT PROPERTY,
DOCUMENTS OF TITLE, INSTRUMENTS, MONEY AND INTANGIBLES.

Current

Search ID#: Z06416835

Business Debtor Search For:

PALLISER OIL AND GAS CORPORATION

Search ID #: Z06416835

Date of Search: 2015-Jan-26

Time of Search: 11:56:36

Registration Number: 11091312574

Registration Type: LAND CHARGE

Registration Date: 2011-Sep-13

Registration Status: Current

Registration Term: Infinity

Inexact Match on: Debtor

No: 1

Debtor(s)

Block

Status

1 PALLISER OIL & GAS CORPORATION
840 - 6TH AVENUE SW, SUITE 600
CALGARY, AB T2P 3E5

Current

Secured Party / Parties

Block

Status

1 NATIONAL BANK OF CANADA
2700, 530 - 8TH AVENUE SW
CALGARY, AB T2P 3S8

Current

Block

Status

2 BANQUE NATIONALE DU CANADA
2700, 530 - 8TH AVENUE SW
CALGARY, AB T2P 3S8

Current

Search ID#: Z06416835



Business Debtor Search For:

PALLISER OIL AND GAS CORPORATION

Search ID #: Z06416835

Date of Search: 2015-Jan-26

Time of Search: 11:56:36

Registration Number: 12082416979

Registration Type: SECURITY AGREEMENT

Registration Date: 2012-Aug-24

Registration Status: Current

Expiry Date: 2015-Aug-24 23:59:59

Inexact Match on: Debtor

No: 1

Debtor(s)

Block

Status

1 PALLISER OIL & GAS CORPORATION
600, 840-6TH AVE SW
CALGARY, AB T2P 3E5

Current

Secured Party / Parties

Block

Status

1 RCAP LEASING INC.
5575 NORTH SERVICE RD, STE 300
BURLINGTON, ON L7L 6M1

Current

Collateral: General

Block

Description

Status

1 COPIER EQUIPMENT AS DESCRIBED ON LEASES, FROM TIME TO TIME LEASED
BY THE SECURED PARTY TO THE DEBTOR AND ANY PROCEEDS THEREOF,
TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS

Current

Search ID#: Z06416835

Business Debtor Search For:

PALLISER OIL AND GAS CORPORATION

Search ID #: Z06416835

Date of Search: 2015-Jan-26

Time of Search: 11:56:36

Registration Number: 13071721986

Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Jul-17

Registration Status: Current

Expiry Date: 2018-Jul-17 23:59:59

Inexact Match on: Debtor

No: 1

Debtor(s)

Block

Status

1 PALLISER OIL & GAS CORPORATION
600, 840 - 6 Avenue S.W.
Calgary, AB T2P 3E5

Current

Secured Party / Parties

Block

Status

1 EAGLE HYDROCARBONS LTD.
136 Eagle Butte Ranch
Calgary, AB T3Z 1K3

Current

Collateral: General

Block

Description

Status

1 Gross Overriding Royalty of 5% of all leased substances produced from certain lands pursuant to an agreement dated April 13, 2007

Current

Search ID#: Z06416835



Business Debtor Search For:

PALLISER OIL AND GAS CORPORATION

Search ID #: Z06416835

Date of Search: 2015-Jan-26

Time of Search: 11:56:36

Registration Number: 13121914896

Registration Type: SECURITY AGREEMENT

Registration Date: 2013-Dec-19

Registration Status: Current

Expiry Date: 2016-Dec-19 23:59:59

Inexact Match on: Debtor

No: 1

Debtor(s)

Block

Status

1 PALLISER OIL & GAS CORPORATION
600, 255, 5TH AVE. SW BOW VALLEY SQ. III
CALGARY, AB T2P3E5

Current

Secured Party / Parties

Block

Status

1 JIM PATTISON INDUSTRIES LTD.
1235 - 73RD AVE S.E.
CALGARY, AB T2H2X1

Current

Collateral: Serial Number Goods

Block

Serial Number

Year

Make and Model

Category

Status

1 3C6TR5GT5DG553736 2013 RAM 2500 MV - Motor Vehicle

Current

Collateral: General

Block

Description

Status

1 COLLATERAL CLASSIFICATION: EQUIPMENT

Current

Result Complete

MATERIAL CHANGE REPORT

1. Name and Address of Reporting Issuer:

Palliser Oil & Gas Corporation ("Palliser" or the "Company")
600, 255 - 5th Avenue S.W.
Calgary, Alberta T2P 3G6

2. Date of Material Change:

November 30, 2014

3. News Release:

A news release disclosing the details discussed in this material change report was issued by the Company on November 30, 2014 and disseminated through the facilities of a recognized news service.

4. Summary of Material Change:

Palliser reports financial and operating results for the three and nine months ended September 30, 2014 and ongoing negotiations with Maha Energy Inc. ("Maha") in connection with a proposed amalgamation between Palliser and Maha.

5. Full Description of Material Change:

5.1 Full Description of Material Change

See attached Schedule "A".

5.2 Restructuring Transaction

Not applicable.

6. Reliance on subsection 7.1(2) of National Instrument 51-102:

Not applicable.

7. Omitted Information:

Not applicable.


8. Executive Officer:

The name and business number of the executive officer of Palliser who is knowledgeable of the material change and this report is:

Kevin Gibson
President & CEO
kevin@palliserogc.com
(403) 209-5717

9. Date of Report:

This report is dated December 1, 2014.

THIS IS EXHIBIT " I " referred to in the Affidavit of Elizabeth Pineda Sworn before me this 2 Day of February A.D. 20 15

A COMMISSIONER OF OATHS
IN AND FOR THE PROVINCE OF ALBERTA
Gunnar Benediktsson
Barrister & Solicitor

SCHEDULE "A"



Not for Distribution in the United States Newswire services or for dissemination in the United States
**Palliser Oil & Gas Corporation Reports Q3 2014 Financial and Operating Results and
 Negotiations on Amalgamation with Maha Ongoing**

November 30, 2014, Calgary, Alberta – **Palliser Oil & Gas Corporation** ("Palliser" or the "Company") (TSX VENTURE:PXL) wishes to report financial and operating results for the three and nine months ended September 30, 2014. Certain selected financial and operational information is set out below and should be read in conjunction with Palliser's financial statements complete with the notes to the financial statements and related MD&A which is expected to be available at www.sedar.com and the Company's website at www.palliserogc.com on Monday, December 1, 2014.

Operating & Financial Highlights - Three and nine months ended September 30, 2014 and 2013 (unaudited)

	Three months ended			Nine months ended		
	September 30			September 30		
	2014	2013	% Change	2014	2013	% Change
Operating						
Wells drilled, re-entered or reactivated (net)						
Oil	4.2	3.0	40%	7.8	15.0	-48%
Salt water disposal	0.0	1.0	-100%	0.0	2.0	-100%
Total	4.2	4.0	5%	7.8	17.0	-54%
Success (%)	100%	100%	0%	100%	100%	0%
Undeveloped land Greater Lloydminster (net acres)	33,448	36,007	-7%	33,448	36,007	-7%
Undeveloped land Medicine Hat (net acres)	10,363	12,885	-20%	10,363	12,885	-20%
Total undeveloped land (net acres)	43,811	48,892	-10%	43,811	48,892	-10%
Average daily production						
Crude oil (bbl per day)	1,147	2,302	-50%	1,564	2,400	-35%
Natural gas (Mcf per day)	340	219	55%	231	257	-10%
Barrels of oil equivalent (boe per day, 6:1)	1,204	2,339	-49%	1,603	2,443	-34%
Crude oil production (%)	95%	98%	-3%	98%	98%	0%
Average sales prices						
Crude oil (\$ per bbl)	\$ 79.23	\$ 86.98	-9%	\$ 79.89	\$ 69.80	14%
Natural gas (\$ per Mcf)	\$ 4.09	\$ 2.54	61%	\$ 4.31	\$ 2.97	45%
Barrels of oil equivalent (\$ per boe, 6:1)	\$ 76.67	\$ 85.85	-11%	\$ 78.59	\$ 68.90	14%
Operating netback (\$ per boe)						
Petroleum and natural gas sales	\$ 76.67	\$ 85.85	-11%	\$ 78.59	\$ 68.90	14%
Realized gain (loss) on financial derivatives	\$ (11.10)	\$ (11.34)	-2%	\$ (13.05)	\$ (0.99)	1218%
Royalties	\$ 17.99	\$ 22.13	-19%	\$ 18.58	\$ 16.96	10%
Production, operating & transportation expenses	\$ 32.29	\$ 26.59	21%	\$ 35.65	\$ 26.20	36%
Operating netback ⁽¹⁾	\$ 15.29	\$ 25.79	-41%	\$ 11.31	\$ 24.75	-54%

Financial (\$000's except per share amounts)

	Three months ended September 30			Nine months ended September 30		
	2014	2013	% Change	2014	2013	% Change
Oil and natural gas sales	\$ 8,492	\$ 18,473	-54%	\$ 34,398	\$ 45,942	-25%
Funds flow from operating activities ⁽²⁾	\$ (113)	\$ 4,090	-103%	\$ 269	\$ 11,876	-98%
Per share - basic and diluted	\$ -	\$ 0.06	-100%	\$ -	\$ 0.19	-100%
Gain (loss) and comprehensive gain (loss)	\$ (1,480)	\$ (1,443)	3%	\$ (26,456)	\$ (6,541)	304%
Per share - basic and diluted	\$ (0.02)	\$ (0.02)	0%	\$ (0.41)	\$ (0.10)	310%
Weighted average shares outstanding	63,915,979	63,915,979	0%	63,915,979	63,348,213	1%
Shares outstanding	63,915,979	63,915,979	0%	63,915,979	63,915,979	0%
Capital expenditures ⁽³⁾	\$ 852	\$ 6,132	-86%	\$ 3,248	\$ 18,842	-83%
Working capital (net debt) ⁽⁴⁾	\$ (48,336)	\$ (41,581)	16%	\$ (48,336)	\$ (41,581)	16%
Shareholders' equity	\$ 9,148	\$ 42,319	-78%	\$ 9,148	\$ 42,319	-78%

⁽¹⁾ Operating netback is a non-IFRS measure and is the net of petroleum and natural gas sales, realized gain or loss on financial derivatives, royalties and production, operating and transportation expenses.

⁽²⁾ Funds flow from operating activities is a non-IFRS measure that represents cash flow from operations less decommissioning expenditures and changes in non-cash working capital related to operating activities. Funds flow per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net income per share. Funds flow from operating activities is a key measure as it demonstrates the Company's ability to generate the funds necessary to achieve future growth through capital investment.

⁽³⁾ Capital expenditures exclude decommissioning liability costs and capitalized share-based compensation.

⁽⁴⁾ Working capital (net debt) is a non-IFRS measure representing the total bank loan, accounts payable and accrued liabilities, less accounts receivable, deposits and prepaid expenses.

Management believes these are useful supplemental measures of, firstly, the total net position of current assets and current liabilities of the Company and secondly, the profitability relative to commodity prices. Other entities may calculate these figures differently than Palliser.

Q3 2014 Comparative Statistics

- **Decrease in average quarterly production.** Third quarter 2014 production averaged 1,204 boe/d, a decrease of 49% from the third quarter of 2013, and a decrease of 31% from 1,739 boe/d in the second quarter of 2014;
- **Increased operating costs.** Production, operating, and transportation expenses averaged \$32.29/boe in the third quarter of 2014, 21% higher than \$26.59/boe in the third quarter of 2013. Production, operating, and transportation expenses increased by 3% from \$31.38 in the second quarter of 2014;

- **Decreased operating netbacks.** Operating netbacks averaged \$15.29/boe, 41% lower than the prior year comparative quarter. Operating netbacks decreased by 4% compared to \$15.88/boe in the second quarter of 2014;
- **Decreased funds flow from operating activities.** Funds flow from operating activities was (\$113,000) (\$NIL/share), compared to funds flow from operating activities of \$4.1 million (\$0.06/share) in the prior year comparative quarter. Funds flow from operating activities in the third quarter decreased by 110% compared to funds flow from operating activities of \$1.1 million in the second quarter of 2014;
- **Executed a \$0.9 million capital program.** The third quarter capital program included seven (4.2 net) new drills, reactivations and capital workovers, resulting in seven (4.2 net) wells completed for heavy oil production (100% success);
- **Maintained a significant undeveloped heavy oil land position.** The Company's undeveloped heavy oil land position at the end of the third quarter was 33,448 net acres; and
- **Maintained a significant prospect inventory.** The Company's heavy oil prospect inventory stands at 161 locations, 77 of which are included in the 2013 independent reserves report; and 84 locations that are not included in the reserves report.

Operations and Financial

Operationally, the third quarter of 2014 was the most active period for Palliser this year, with capital expenditures increased due to the successful farmout programs at Neilburg and Manitou, Saskatchewan and Marwayne, Alberta. Production averaged 1,204 boe/d, a 49 per cent decline from the second quarter 2014 production average of 1,739 boe/d, due to natural declines and the sale of approximately 125 bbl/d at Manitou, Saskatchewan to Maha Energy Inc. ("Maha") for \$2.15 million (approximately \$1.9 million after interim adjustments) (the "Manitou Sale"), which closed on July 30, 2014.

Palliser recorded negative funds flow from operating activities of (\$113,000) in the quarter. The third quarter saw weaker heavy oil pricing, with Palliser realizing an average crude oil price of \$76.67/bbl for its heavy oil sales. The Company incurred hedging losses in the amount of \$1.2 million that negatively impacted funds flow from operating activities, however, with the recent drop in world oil prices, the hedging program is forecasted to increase Q4 funds flow by \$1.0 million. Additionally, transaction costs associated with the Maha amalgamation agreement, totaling approximately \$0.3 million, negatively impacted funds flow in the quarter. As compared to the third quarter in 2013, production, operating, and transportation expenses increased 21% due to lower production, whereas expenses in this category are expected to decrease in Q4 as a result of optimizing efficiencies being implemented in the field. General and administrative ("G&A") expenses were 10% lower than the prior year comparative period, mainly due to decreases in employee numbers and wages and consulting fees, with further reductions expected in Q4 for similar reasons.

Capital expenditures totaled \$0.9 million in Q3, an 86% reduction when related to the comparative period in 2013. Capital expenditures included capital workovers, capitalized G&A expenses, and seven (4.2 net) well activities, including three (1.65 net) heavy oil new drills and four (2.8 net) well reactivations that were brought on production in the third quarter. Production from the new wells is forecasted to ramp up through the fourth quarter. The successful third quarter capital program is forecasted to generate increased production into the fourth quarter.

Palliser signed two farmout agreements with Maha for a capital program that was undertaken at no cost to Palliser, with the exception that surface equipment for all of the wells was supplied from Palliser's inventory of surplus equipment. At Manitou, one (0.3 net before payout & 0.5 net after payout) well has been drilled and cased and was completed for heavy oil production in early September. At Marwayne, Alberta, four (2.8 net) wells were reactivated in August and September and all wells are now on production.

In a farmout with a third party at Neilburg, Saskatchewan, two (1.15 net) wells were drilled by the end of September, with the wells placed on production late in the third quarter. Palliser is the operator of the wells subject to the Manitou Sale and all of the wells drilled and re-activated in the Maha and third party farmout programs.

Outlook

At September 30, 2014 the Company had a working capital deficiency (net debt) totaling \$48.3 million (excluding financial derivatives). The Company is not in compliance with a covenant under its bank loan. The Company is required to maintain a current ratio (current assets divided by current liabilities) of not less than 1.0:1.0. As at September 30, 2014 and the date of this report the Company was not in compliance with the current ratio banking covenant. The Company does not anticipate generating sufficient funds flow from operating activities in the upcoming year to fund its working capital deficiency.

The proposed amalgamation of the Company and Maha pursuant to an amalgamation agreement between the Company and Maha dated July 30, 2014 has expired by its terms. The Company, its lender and Maha are actively engaged in the negotiation of a potential new amalgamation agreement and a potential amended credit facility which, if concluded, will be put to Palliser's shareholders for approval. On July 29, 2014, Palliser and the National Bank of Canada entered into a Loan Amending and Extension Forbearance Agreement, wherein the lender extended the Company's credit facilities to October 31, 2014. In order to permit Maha, Palliser and Palliser's lender to continue negotiations relative to the terms of a potential transaction, the terms of the forbearance agreement between Palliser and its lender have been extended to December 5, 2014.

The Company also announces that Stephen Hayden, Director, has resigned effective November 21, 2014. Palliser wishes Mr. Hayden success in his future endeavours and thanks him for his contribution to the Company.

Further Information

For further information please contact:

Kevin J. Gibson
President & CEO
kgibson@palliserogc.com
(403) 209-5717

About Palliser

Palliser is a Calgary-based junior oil and gas company focused on high netback heavy oil production in the greater Lloydminster area of Alberta and Saskatchewan.

Disclaimer

Completion of the transaction is subject to a number of conditions, including TSXV acceptance and shareholder approval. The Amalgamation transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management Joint Information Circular to be prepared in connection with the transaction, any information released or received with respect to the Reverse Takeover may not be accurate or complete and should not be relied upon. Trading in the securities of Palliser should be considered highly speculative.

The TSXV has in no way passed upon the merits of the proposed Amalgamation transaction and has neither approved nor disapproved the contents of this press release.

Forward-Looking Statements

Statements in this document may contain forward-looking information including matters related to the strategic review. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. These risks include, but are not limited to: the risks associated with the oil and gas industry; commodity prices, and; exchange rate changes. Industry related risks could include, but are not limited to: operational risks in exploration; proposed dispositions not being completed or if completed, not providing the benefits expected; development and production; delays or changes in plans; risks associated to the uncertainty of reserve estimates; health and safety risks, and; the uncertainty of estimates and projections of production, costs and expenses. In addition, forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein,

assumptions have been made regarding, among other things: the ability of the Company to obtain financing on acceptable terms; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand reserves through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing lists of factors and assumptions are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at the Company's website (www.palliserogc.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Conversion

The Company has adopted the industry standard of 6:1 Mcf to Bbl when converting natural gas to barrels of oil equivalent. Disclosure provided herein in respect of Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 Bbl, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this Press release.

NORTON ROSE FULBRIGHT

Barristers & Solicitors / Patent & Trade-mark Agents

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January 27, 2015

By Courier

Palliser Oil & Gas Corporation
840 6th Ave. SW, Suite 600
Calgary, Alberta T2P 3E5
T2P 2T8

Attention: Mr. Kevin Gibson, President
& CEO

THIS IS EXHIBIT " J " referred to in the Affidavit of Elizabeth Pineda Sworn before me this 2 Day of February, A.D. 2015.

Our reference
01124572-0585

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
Gunnar Benediktsson

Barrister & Solicitor

Dear Sir:

Palliser Oil & Gas Corporation ("Palliser") indebtedness to the National Bank of Canada (the "Bank")

As you are aware, our offices act on behalf of the Bank with respect to the outstanding Palliser indebtedness. Over the past several months, the Bank has provided Palliser with various accommodations and extensions with regard to the Palliser indebtedness pursuant to Loan Amending and Extension Forbearance Agreement as amended by various subsequent Amendment and Extension Agreements (all of which shall be referred to hereinafter collectively as the "Forbearance Agreement").

Palliser is currently in default with respect to the Forbearance Agreement. The defaults of Palliser include, most significantly, that Palliser has not repaid the indebtedness owing to the Bank when due.

The Palliser indebtedness is secured by a Demand Debenture and other security.

As at January 27, 2015, the amounts outstanding and owing to the Bank are as follows:

Demand Revolving Credit Facility	\$39,575,000.00
Accrued Interest	\$4,336.99
Standby Fee	\$160.11
Revised Acquisition and Development Facility	\$625,000.00
Accrued Interest	\$77.05
Mastercard	\$7,968.08
Forebearance fee	\$125,000.00
Total as at January 27, 2015	\$40,337,542.23

In addition to the above, per diem interest on the above facilities is and has been accruing at a total rate of at least \$4,414.04 per day. In addition to per diem interest, the amounts owing will be increased by any costs or standby fees incurred by the Bank.

Norton Rose Fulbright Canada LLP is a limited liability partnership established in Canada.

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright South Africa (incorporated as Deneys Reitz Inc) and Fulbright & Jaworski LLP, each of which is a separate legal entity, are members of Norton Rose Fulbright Verein, a Swiss Verein. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

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January 27, 2015

Furthermore, the indebtedness of Palliser to the Bank includes reasonable legal and consulting fees for which Palliser has agreed to indemnify the Bank, currently estimated to be at least \$120,500.00.

Demand is hereby made upon Palliser for payment in full of the amounts outstanding together with any accruing interest, standby fees, legal fees or charges that may arise. In the event that payment is not made in full by close of business on **February 6, 2015**, or if the Bank determines that its collateral is at risk, the Bank will take such further steps may be necessary to protect its position.

We remind you that in accordance with the terms of the Forbearance Agreement that Palliser has agreed that the cash received by Palliser on January 26, 2015 in respect of the hedges (in the amount of approximately \$1,260,000) may only be used by Palliser to pay down existing provincial Crown royalties which are currently owed, and may not be used for any other purpose, and that amounts not used to pay down existing provincial Crown royalties (if any) are to be held by Palliser and not paid out by Palliser without the express written consent of the Bank.

Also enclosed for service upon you is a Notice of Intention to Enforce Security, provided in accordance with the provisions of the **Bankruptcy and Insolvency Act**. If you consent to the Bank taking earlier enforcement, including the potential appointment of a Receiver, please return the consent executed by a duly authorized officer.

Kindly govern yourself accordingly.

Yours truly,

Norton Rose Canada LLP



Howard A. Gorman

Cop(y/ies) to: National Bank of Canada, Attn: Karen Koury, Email
National Bank of Canada, Attn: Beth Pineda, Email
FTI Consulting, Attn: Deryck Helkaa, Email
Daryl Fridhandler, Burnet, Duckworth & Palmer, Email

NOTICE OF INTENTION TO ENFORCE SECURITY
(Subsection 244(1))

To: Palliser Oil & Gas Corporation

Take notice that:

1. National Bank of Canada (the "Lender"), a secured creditor, intends to enforce its security on the property of the above insolvent person which encompasses all of its property and assets;
2. The security that is to be enforced includes security granted by the insolvent person in favour of the Lender as set out in **Schedule "A"** attached hereto;
3. The principal amount of the indebtedness secured by the security is **\$40,337,542.23** plus accrued interest and other costs and expenses; and
4. The secured creditor (the Lender) will not have the right to enforce the security until after February 6, 2015, unless the insolvent person consents to an earlier enforcement.

Dated at Calgary, Alberta, this 27th day of January, 2015.

**National Bank of Canada by its solicitors and
agents, Norton Rose Canada LLP**



Per: _____
Howard A. Gorman

Palliser Oil & Gas Corporation hereby:

- (a) consents to the immediate enforcement by the Lender as a secured party of the security described in paragraph 2 above pursuant to Section 244(2) of the **Bankruptcy and Insolvency Act** (Canada);
- (b) consents to the secured party's (the Lender's) disposition of any or all collateral subject to the secured party's security immediately or otherwise as the secured party may determine in its sole discretion, without notice as required by the **Personal Property Security Act** (Alberta);
- (c) consents to the Lender's immediate appointment of a Receiver, or a Receiver-Manager in accordance with the provisions of the above noted security.

**Palliser Oil & Gas Corporation by its duly authorized
officer**

c/s

Per: _____
Authorized Signatory

SCHEDULE "A"

1. Demand Debenture,
2. First Supplemental Debenture,
3. Second Supplemental Debenture,
4. General Assignment of Book Debts, and
5. Pledge Agreement.

COURT FILE NUMBER

Clerk's Stamp

COURT

COURT OF QUEEN'S BENCH
OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF(S)

NATIONAL BANK OF CANADA

DEFENDANT(S)

PALLISER OIL & GAS CORPORATION

DOCUMENT

**CONSENT TO ACT AS RECEIVER
OR RECEIVER AND MANAGER**


ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Norton Rose Fulbright Canada LLP
3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Phone: 403-267-8222
Fax: 403-264-5973

Attention: Howard A. Gorman

File No. 01124572-0585

THIS IS EXHIBIT " K "
referred to in the Affidavit of
Elizabeth Pineda
Sworn before me this 2
Day of February A.D. 20 15

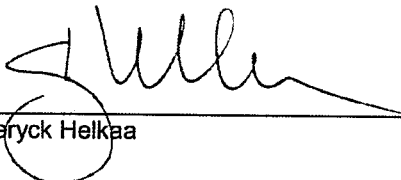

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
Gunnar Benediktsson
Barrister & Solicitor

FTI Consulting Canada Inc. does hereby consent to act as Receiver or Receiver and Manager of Palliser Oil & Gas Corporation. if so ordered by this Honourable Court.

DATED this 25th day of January, 2015.

FTI CONSULTING CANADA INC.

Per:


Deryck Helkaa