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JUDICIAL CENTRE
OF CALGARY

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COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF ENDURANCE ENERGY LTD.

DOCUMENT

RK ~~FIFTH~~ ^{SIXTH} REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF ENDURANCE ENERGY
LTD.

August 31, 2016

ADDRESS FOR SERVICE AND
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INTRODUCTION

1. On May 30, 2016, Endurance Energy Ltd. (“**Endurance**” or the “**Applicant**”) sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, *inter alia*, a stay of proceedings against the Applicant until and including June 29, 2016 (the “**Initial Stay Period**”), and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The proceedings commenced by the Applicant under the CCAA will be referred herein as the “**CCAA Proceedings**”.
3. Also on May 30, 2016, this Honourable Court granted an order (the “**Sale Process Order**”) which, *inter alia*, approved a sale process (the “**Sale Process**”) as set out in the Sale Process Order.
4. On June 15, 2016, this Honourable Court granted an Amended and Restated Initial Order which, *inter alia*, reduced the amount of the Administration Charge from \$2.5 million to \$1.5 million and included the fees of the Lending Syndicate’s professional advisors in the Administration Charge. The Initial Order and the Amended and Restated Initial Order will be referred to hereinafter collectively as the “**Initial Order**”.
5. On June 22, 2016, after subsequent court hearings on June 8 and June 15, the stakeholders agreed on an amended Sale Process and this Honourable Court granted an order approving the amended Sale Process (the “**Sale Process and Interim Financing Order**”) which, *inter alia*, amended Schedule A of the Sale Process Order and approved the Amended and Restated DIP Facility Loan Agreement.

6. On June 27, 2016, this Honourable Court granted an order (the “**Stay Extension Order**”) which, *inter alia*, extended the Stay Period to and including August 5, 2016.
7. On August 2, 2016, this Honourable Court granted an order (the “**KERP and KEIP and Stay Extension Order**”) which, *inter alia*, authorized and approved the KERP and KEIP and granted the KERP Charge and KEIP Charge and extended the Stay Period to and including August 31, 2016.
8. On August 26, 2016, this Honourable Court granted an Order extending the Stay of Proceedings until September 30, 2016.

PURPOSE

9. The purpose of this sixth report of the Monitor (the “**Sixth Report**”) is to provide to this Honourable Court the Monitor’s comments with respect to the Company’s request for an Order approving the extension of the maturity date from September 2, 2016 to September 30, 2016 (the “**Interim Loan Extension**”) of the interim financing agreement¹ between the Company and WP Private Equity XI Inc. (the “**Interim Lender**”) that was put in place for the interim funding during these CCAA proceedings (the “**Interim Loan**”).

¹ as amended and restated by Court Order on June 22, 2016

TERMS OF REFERENCE

10. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicant, the Applicant's books and records, certain financial information prepared by the Applicant and discussions with various parties, including senior management ("**Management**") of the Applicant (collectively the "**Information**"). Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
11. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook. Future oriented financial information reported or relied on in preparing this report is based on Management's assumptions regarding future events and actual results may vary from forecast and such variations may be material.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein have the meaning defined in the previous reports of the Monitor or the Amended and Restated Initial Order issued in these CCAA Proceedings.
13. Further background and information regarding the Applicant's and these CCAA proceedings can be found on the Monitor's website at <http://cfcanada.fticonsulting.com/endurance>.

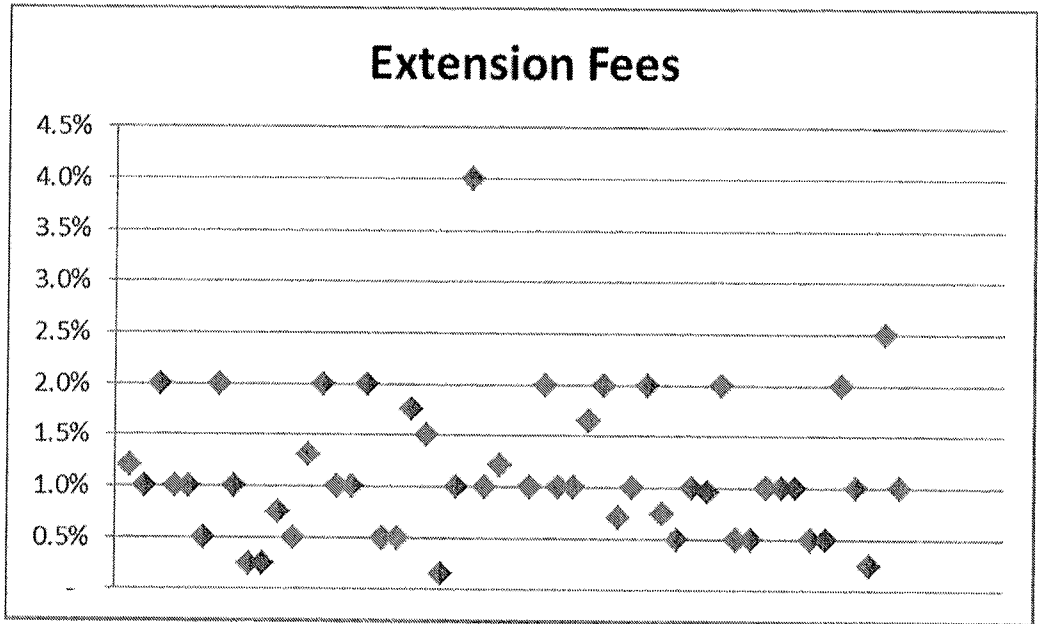
INTERIM LOAN EXTENSION

14. As set out in the affidavit of Mr. Steven Vansickle dated August 31, 2016 (the “**Aug 31st Vansickle Affidavit**”) the Interim Loan is set to expire on September 2, 2016 (the “**Maturity Date**”). The Maturity Date was originally intended to provide sufficient time for Endurance to complete its Sale Process. However, while progress continues to be made in completing a transaction in the Sale Process, the Company has not been able to conclude the Sale Process by the Maturity Date.
15. Based on a series of negotiations between the Interim Lender and the Company as more fully set out in the Aug 31st Vansickle Affidavit, the Monitor understands that the Interim Lender has agreed to extend the Maturity Date to September 30, 2016. In exchange for granting the Interim Loan Extension, Endurance is to pay the Interim Lender a fee of 1% (the “**Extension Fee**”) of the authorized amount under the Interim Funding which fee would total US\$150,000 (1% x authorized amount of US\$15.0 million).
16. As set out in the Monitor’s Fifth Report dated August 23, 2016, the Company’s cash flow forecast indicates that it does not require further funding under the Interim Loan through to the end of September 30, 2016; however, the Interim Loan Extension is required to provide the Company with additional time to complete, or substantially complete, the Sale Process.
17. The Monitor understands that the Company and its financial advisor, BMO Nesbitt Burns Inc., believe the terms of the Interim Loan Extension, and the Extension Fee, to be reasonable in the circumstance.

18. The Monitor understands that while a Sale Process transaction may not be closed by September 30, 2016, the timeline provided in the Interim Loan Extension will provide needed time to allow Endurance to complete or substantially complete its Sale Process.
19. With respect to the Extension Fee, the Monitor reviewed various forbearance and extension fees agreed to and/or approved by courts in CCAA proceedings and U.S. Chapter 11 proceedings². A total of 53 matters were reviewed, from which the following observations were made:
 - (a) the minimum extension fee was 0.2% and the maximum extension fee was 4%;
 - (b) the average of all extension fees was 1.1%;
 - (c) the duration of extension periods ranged from 1 month to 1 year; and
 - (d) the majority of loan extension/forbearance fees ranged between 0.5% to 1%.

² Source: The Deal Pipeline and FTI records

20. The graph below illustrates the range of the extension / forbearance fees:

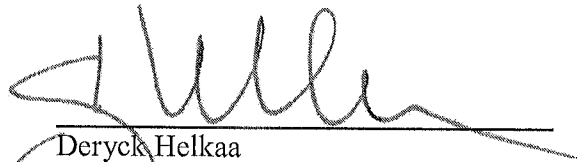


21. Based on the analysis above, the Interim Loan Extension Fee of 1% appears consistent with previously approved fees. While the extension period of 30 days is on the lower end of the comparable data, the Monitor understands that this should provide sufficient time to allow Endurance to at least substantially advance its Sale Process toward completion.
22. The Monitor further agrees with the Applicant's position as set out in the Aug 31st Vansickle Affidavit, that the successful completion of the Sale Process will be beneficial to many stakeholder groups, including the Lenders.

RECOMMENDATIONS

23. The Monitor respectfully recommends that this Honourable Court approve the Applicant's request to extend the maturity of the Interim Loan to September 30, 2016.

All of which is respectfully submitted this 31st day of August, 2016.



Deryck Helkaa
Senior Managing Director,
FTI Consulting Canada Inc.