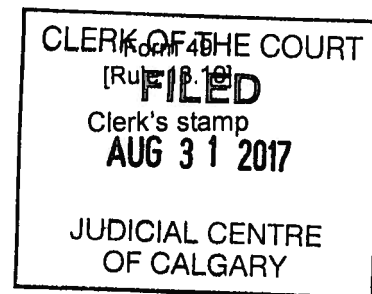


COURT FILE NUMBER 1701- 11639  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF NATIONAL BANK OF CANADA  
DEFENDANT SCOLLARD ENERGY INC.  
DOCUMENT **AFFIDAVIT  
(APPOINT RECEIVER)**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Norton Rose Fulbright Canada LLP  
400 3rd Avenue SW, Suite 3700  
Calgary, Alberta T2P 4H2 CANADA  
Attn: Howard A. Gorman, Q.C. / Gunnar Benediktsson  
Tel: +1 403.267.8222  
Fax: +1 403.264.5973  
Counsel for National Bank of Canada  
File no.: 01124572-0593

**AFFIDAVIT OF KAREN KOURY**

**Sworn (or Affirmed) on August 30, 2017.**

I, Karen Koury, of Toronto, Ontario, SWEAR/AFFIRM AND SAY THAT:

**INTRODUCTION**

1. I am the Senior Manager, Special Loans 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 Scollard Energy Inc.. (**Scollard**, or the **Debtor**) account, and have also had the opportunity to review the business records of the Bank relevant to the Scollard 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 SCOLLARD**

3. Scollard 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. Scollard is an oil and gas exploration and production company.

**LOAN INDEBTEDNESS**

5. The Bank, as Lender, provided various secured loans to the Debtor under various loan agreements, including an Offering Letter dated August 12, 2015, as amended, supplemented or restated from time to time; in addition, the Bank and Scollard entered into a Loan Amending and Extension Agreement dated December 23, 2015, as most recently amended on June 1, 2017 (collectively, the **Loan Agreements**).
6. The Loan Agreements, which set forth the terms and conditions of the loans issued to Scollard by the Bank, are attached as **Exhibit "A"** to this my Affidavit.
7. In accordance with the terms of the Loan Agreements, the Bank advanced various loans to Scollard. As at August 30, 2017, and continuing to this date, the total indebtedness of Scollard to the Bank under various credit facilities is in excess of **\$16,773,108.25** (the **Indebtedness**).
8. It is an express term of the Loan Agreements that the total indebtedness owing by Scollard is repayable on demand by the Bank, or upon any event of default.

#### **GRANTING OF SECURITY**

9. As security for the amounts advanced pursuant to the Loan Agreements, the Debtor granted various security to the Bank, which security includes
  - (a) General Assignment of Book Debts, a true copy of which is attached hereto as **Exhibit "B"**;
  - (b) \$75,000,000 Floating Charge Debenture, a true copy of which is attached hereto as **Exhibit "C"**;
  - (c) Pledge Agreement, a true copy of which is attached hereto as **Exhibit "D"**; and
  - (d) other security.
10. Attached hereto and marked as **Exhibit "E"** to this my Affidavit is a true copy of an Alberta Personal Property Registry search for Scollard dated August 25, 2017.

#### **DEMAND AND NOTICE**

11. On August 22, 2017, the Bank, through its solicitors, issued Demands and Notices pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act* and Notices of Intention to Enforce Security (the **Demand and Notice**), true copies of which are attached hereto and marked as **Exhibit "F"** to this my Affidavit.
12. Notwithstanding the Demands and Notices, the Debtor has failed to repay the Indebtedness, or any part of it.
13. By terms of the Loan Agreements and Security, the Debtor's failure to repay the Indebtedness upon demand is an event of default, and entitles the Bank to exercise various remedies, one of which is to apply to this Court for the appointment of a Receiver and Manager.
14. I am advised by my counsel, and do believe, the FTI Consulting Canada Inc. has consented to act as receiver and manager, or alternatively as receiver, of Scollard.

#### **RECEIVER**

15. In all of the circumstances, I do verily believe that the appointment of FTI as receiver and manager or, alternatively, as receiver of the undertakings, property and assets of Scollard, is necessary to protect the interests of the Bank and to preserve and realize upon the Security.
16. It is further my belief that the Security of the Bank in respect of Scollard is at risk in light of the current financial predicament of Scollard, and that such Security may be further eroded unless a receiver and manager is appointed over the property, assets and undertakings of Scollard.

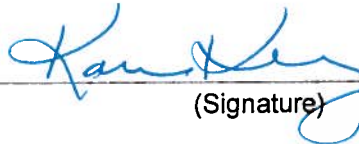
**CONCLUSION**

17. I am authorized to swear this Affidavit on behalf of the Bank.
18. I make this Affidavit for no improper purpose.
19. 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 Scollard and for such other and related relief as may be sought.

SWORN (OR AFFIRMED) BEFORE ME  
at the City of Toronto, Ontario,  
this 30 day of August, 2017.



\_\_\_\_\_  
A Notary Public in and For Ontario



\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Karen Koury



# Exhibit "A"





THIS IS EXHIBIT " A " referred to in the Affidavit of Karen Kevry  
 Sworn before me this 30  
 Day of August A.D. 2017

Writer's Direct Line  
 (403) 294-4958

A NOTARY PUBLIC FOR THE PROVINCE OF Ontario

RECEIVED

August 12, 2015

**BY COURIER**

Scollard Energy Inc.  
 333 - 5 Avenue SW, Suite 1710  
 Calgary, AB T2P 3B6

ATTENTION: Robert Hemminger  
 VP Finance & CFO

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Scollard Energy Inc., 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:** SCOLLARD ENERGY INC. (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:** \$24,000,000.

Maximum Amount to reduce to \$22,000,000 effective November 30, 2015 with a further reduction to \$20,000,000 effective March 31, 2016.

**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\$50,000.

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 \$5,000,000 in any currency acceptable to the Bank.

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

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

**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 the Applicable Margin as per the Pricing Grid below. 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 2.70% 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00*
Prime Rate Loans	50 bps	75 bps	100 bps	150 bps	200 bps	250 bps
BAs (Stamping Fee)	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
L/C/G Fees	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Current Rate

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and

notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

\$5,000,000.

**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 Loan(s) 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 50 bps over the Applicable Margin as per the Pricing Grid stipulated under Credit Facility 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 2.70% 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:**

The Standby Fee as per the Pricing Grid for Credit Facility A on the undrawn portion of the Credit Facility B (the "Standby Fee"), payable monthly on the first Business Day of each month.

**CHANGE IN MARGIN  
AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.

**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:**

\$31,000 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 17, 2014.
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 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.
6. Assignment of revenues and monies under material contracts, as applicable.
7. ISDA Agreement.
8. Legal Opinion of the Bank's counsel.

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

**To Be Obtained:**

1. Accepted Offering Letter dated August 12, 2015.

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 draft financial statements dated March 31, 2015, 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, including balance sheet, income statement, and cash flow statement, 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 65% of actual production volumes for year 1 and 50% of actual production volumes for year 2.
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 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 November 30, 2015, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

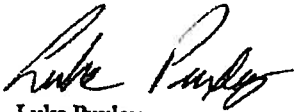
This Offering Letter is open for acceptance until August 20, 2015 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

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.

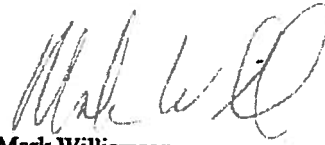
National Bank of Canada appreciates the opportunity of providing this Offering Letter to Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**



Luke Puxley  
Director  
Energy Group



Mark Williamson  
Managing Director and Head  
Credit Capital Markets Calgary

/gk  
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AGREED AND ACCEPTED this 13 day of August, 2015.

**SCOLLARD ENERGY INC.**

Per: 

Per: 

## APPENDIX A

### CREDIT:

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:	Mr. James Dexter (403) 294-4982 (403) 294-3078 james.dexter@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	Team Leader: Telephone: Facsimile: E-mail:	Mrs. Gerry Klein (403) 294-4922 (403) 294-3078 gerry.klein@nbc.ca
	Senior Secretary: Telephone: Facsimile: E-mail:	Ms. Janelle Samoluk (403) 294-4992 (403) 294-3078 janelle.samoluk@nbc.ca

### BRANCH:

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

### INTERNET/ TELEPHONE BANKING

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
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### OTHER:

Internet Banking	Treasury Manager, Credit Capital Markets Telephone: Facsimile: E-mail:	Ms. Quennie Cabaron (403) 441-6447 (403) 294-3078 quennie.cabaron@nbc.ca
Foreign Exchange & Interest Rates National Bank of Canada 311 - 6 Avenue SW, 6 <sup>th</sup> 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 <sup>th</sup> 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 \_\_\_\_\_ (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;
8. As required, I have calculated the Net Debt to Cash Flow Ratio for the fiscal quarter ended as follows:  
\_\_\_\_\_ : 1.00; and
9. 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,

**SCOLLARD ENERGY INC.**

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

Name:  
Title:

**SCOLLARD ENERGY INC.  
 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:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$
+ Working Capital Deficit (any positive working capital deducted)	\$
	<u>\$</u>

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$
+ Depletion, depreciation, accretion, and amortization	\$
+ Deferred income taxes	\$
+ Other charges to operations not requiring a current cash payment	\$
- Non-cash income	\$
- Unrealized mark to market gains	\$
- Capital Lease payments	\$
- Abandonment costs paid in cash	\$
- Stock based compensation	\$
- Extraordinary or nonrecurring earnings, gains, and losses	\$
+/- Such other amounts as reasonably requested by the Bank.	\$
	<u>\$</u>

Quarterly Cash Flow

Quarterly Cash Flow (annualized)	\$	x 4 =	\$
			<u>\$</u>

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$

## 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



- (c) 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

DEC 22 2014

Writer's Direct Line  
(403) 294-4958

December 17, 2014

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Scollard Energy Inc., 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: SCOLLARD ENERGY INC. (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: \$27,000,000.**

**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\$50,000.**

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 \$5,000,000 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 the Applicable Margin as per the Pricing Grid below. 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00*
Prime Rate Loans	50 bps	75 bps	100 bps	150 bps	200 bps	250 bps
BAs (Stamping Fee)	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
L/C/G Fees	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Current Rate

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

\$7,000,000.

**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 Loan(s) 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 50 bps over the Applicable Margin as per the Pricing Grid stipulated

under Credit Facility 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:**

The Standby Fee as per the Pricing Grid for Credit Facility A on the undrawn portion of the Credit Facility B (the "Standby Fee"), payable monthly on the first Business Day of each month.

**CHANGE IN MARGIN  
AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.**

**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:**                       **\$51,000 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 July 9, 2013.
2. Accepted Amending Offering Letters dated November 25, 2013, March 19, 2014, July 14, 2014, September 12, 2014, and November 7, 2014.
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. ISDA Agreement.
9. Legal Opinion of the Bank's counsel.

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

**To Be Obtained:**

1. Accepted Offering Letter dated December 17, 2014.
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 draft financial statements dated September 30, 2014, 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, including balance sheet, income statement, and cash flow statement, 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 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 65% of actual production volumes for year 1 and 50% of actual production volumes for year 2.
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 April 1, 2015, 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 December 30, 2014 (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.

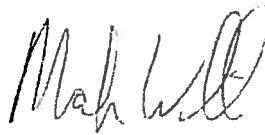
National Bank of Canada appreciates the opportunity of providing this Offering Letter to Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**



Luke Puxley  
Director  
Energy Group



Mark Williamson  
Managing Director and Head  
Credit Capital Markets Calgary

/pk  
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AGREED AND ACCEPTED this 22 day of DECEMBER, 2014.

**SCOLLARD ENERGY INC.**

Per: 

Per: 

## APPENDIX A

<b><u>CREDIT:</u></b>	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:	Mr. James Dexter (403) 294-4982 (403) 294-3078 james.dexter@nbc.ca
<b><u>ADMINISTRATION:</u></b>	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:	Mrs. Gerry Klein (403) 294-4922 (403) 294-3078 gerry.klein@nbc.ca
		Senior Secretary: Telephone: Facsimile: E-mail:	Ms. Janelle Samoluk (403) 294-4992 (403) 294-3078 janelle.samoluk@nbc.ca
<b><u>BRANCH:</u></b>	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
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	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
<b><u>OTHER:</u></b>	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 <sup>th</sup> 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 <sup>th</sup> 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 \_\_\_\_\_ (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;
8. As required, I have calculated the Net Debt to Cash Flow Ratio for the fiscal quarter ended as follows:  
\_\_\_\_\_ : 1.00; and
9. 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,

**SCOLLARD ENERGY INC.**

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

Name:  
Title:

**SCOLLARD ENERGY INC.  
 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:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$
+ Working Capital Deficit (any positive working capital deducted)	\$

Net Debt \$

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$
+ Depletion, depreciation, accretion, and amortization	\$
+ Deferred income taxes	\$
+ Other charges to operations not requiring a current cash payment	\$
- Non-cash income	\$
- Unrealized mark to market gains	\$
- Capital Lease payments	\$
- Abandonment costs paid in cash	\$
- Stock based compensation	\$
- Extraordinary or nonrecurring earnings, gains, and losses	\$
+/- Such other amounts as reasonably requested by the Bank.	\$
Quarterly Cash Flow	<u>\$</u>

Quarterly Cash Flow (annualized) \$ \_\_\_\_\_ x 4 = \$

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$



## 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\$" , "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

Writer's Direct Line  
(403) 294-4958

November 7, 2014

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated July 9, 2013, as amended November 25, 2013, March 19, 2014, July 14, 2014, and September 12, 2014, which shall remain in full force and effect unless superseded below.

**BORROWER: SCOLLARD ENERGY INC. (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: \$38,000,000.**

**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.

**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 November 7, 2014.
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 November 30, 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 14, 2014 (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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA

  
Luke Puxley  
Director  
Energy Group

  
Mark Williamson  
Managing Director and Head  
Credit Capital Markets Calgary

pk  
F:\Data\CLIENTS\X2B - Puxley LI\Scollard Energy Inc. Credit 2014\Offering Letter - Amending 1114.docx

AGREED AND ACCEPTED this 12 day of Nov, 2014.

SCOLLARD ENERGY INC.

Per: 

Per: 

## APPENDIX A

<b><u>CREDIT:</u></b>	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:	Mr. James Dexter (403) 294-4982 (403) 294-3078 james.dexter@nbc.ca
<b><u>ADMINISTRATION:</u></b>	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:	Mrs. Gerry Klein (403) 294-4922 (403) 294-3078 gerry.klein@nbc.ca
		Senior Secretary: Telephone: Facsimile: E-mail:	Ms. Janelle Samoluk (403) 294-4992 (403) 294-3078 janelle.samoluk@nbc.ca
<b><u>BRANCH:</u></b>	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
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	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
<b><u>OTHER:</u></b>	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 <sup>th</sup> 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 <sup>th</sup> Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com



RECEIVED

SEP 16 2014

Writer's Direct Line  
(403) 294-4958

September 12, 2014



**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated July 9, 2013, as amended November 25, 2013, March 19, 2014 and July 14, 2014, which shall remain in full force and effect unless superseded below.

**BORROWER: SCOLLARD ENERGY INC. (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 September 12, 2014.
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. 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 October 31, 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 September 19, 2014 (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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA



Luke Puxley  
Director  
Energy Group



Mark Williamson  
Managing Director and Head  
Credit Capital Markets Calgary

gk  
P:\Data CLIENTS\QCB - Puxley L\Scollard Energy Inc.Credit 2014.Offering Letter - Amending 0914.docx

AGREED AND ACCEPTED this 12 day of September, 2014.

SCOLLARD ENERGY INC.

Per: 

Per: 

## APPENDIX A

<b><u>CREDIT:</u></b>	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:	Mr. James Dexter (403) 294-4982 (403) 294-3078 james.dexter@nbc.ca
<b><u>ADMINISTRATION:</u></b>	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:	Mrs. Gerry Klein (403) 294-4922 (403) 294-3078 gerry.klein@nbc.ca
<b><u>BRANCH:</u></b>	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
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	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
<b><u>OTHER:</u></b>	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 <sup>th</sup> 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 <sup>th</sup> Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com



RECEIVED

Writer's Direct Line  
(403) 294-4958

July 14, 2014

**BY COURIER**

Scollard Energy Inc.  
333 – 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated July 9, 2013, as amended November 25, 2013 and March 19, 2014, which shall remain in full force and effect unless superseded below.

**BORROWER: SCOLLARD ENERGY INC. (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 July 14, 2014.
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. 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 August 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 July 18, 2014 (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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA



Luke Puxley  
Director  
Energy Group



Dan Lindquist  
Managing Director and Co-Head  
Credit Capital Markets Calgary

gk  
P:\Data\CLIENTS\UX2B - Puxley L\Scollard Energy Inc\Credit 2014\Offering Letter - Amending 0714.docx

AGREED AND ACCEPTED this 15 day of July, 2014.

SCOLLARD ENERGY INC.

Per: 

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

**APPENDIX A**

**CREDIT:** 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:

Mr. James Dexter  
(403) 294-4982  
(403) 294-3078  
james.dexter@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:  
Telephone:  
Facsimile:  
E-mail:

Mrs. Gerry Klein  
(403) 294-4922  
(403) 294-3078  
gerry.klein@nbc.ca

**BRANCH:** Calgary Downtown Branch  
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  
430 - 7337 MacLeod Trail South  
Calgary, AB T2H 0L8

Telephone:  
Facsimile:

(403) 592-8515  
(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:  
Telephone:

www.nbc.ca  
(888) 483-5628

**OTHER:** 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<sup>th</sup> Floor  
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Director, Risk  
Management Solutions:  
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(403) 294-4923  
george.androulidakis@tres.bnc.ca

Commodity Derivatives  
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Calgary, AB T2P 3H2

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Facsimile:  
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(403) 294-4935  
(403) 294-4923  
cenergy@nbcenergy.com



RECEIVED

MAR 24 2014

MAR 19 2014

Writer's Direct Line  
(403) 294-4958

March 19, 2014

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated July 9, 2013, as amended November 25, 2013, which shall remain in full force and effect unless superseded below.

**BORROWER: SCOLLARD ENERGY INC. (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 March 19, 2014.
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. 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 March 27, 2014 (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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**



Luke Puxley  
Director  
Energy Group



Dari Lindquist  
Managing Director and Co-Head  
Credit Capital Markets Calgary

/gk  
F:\Data\CLIENTS\X2B - Puxley L\Scollard Energy Inc\Credit\2014\Offering Letter - Amending 0314.docx

AGREED AND ACCEPTED this 24 day of March, 2014.

**SCOLLARD ENERGY INC.**

Per: 

Per: 

**APPENDIX A**

**CREDIT:** 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:

Mr. James Dexter  
(403) 294-4982  
(403) 294-3078  
james.dexter@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:  
Telephone:  
Facsimile:  
E-mail:

Mrs. Gerry Klein  
(403) 294-4922  
(403) 294-3078  
gerry.klein@nbc.ca

**BRANCH:** 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

**INTERNET/  
TELEPHONE  
BANKING** Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts

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www.nbc.ca  
(888) 483-5628

**OTHER:** Internet Banking

Manager,  
Global Cash Management:  
Telephone:  
Facsimile:  
E-mail:

Ms. Kathy Holland  
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kathy.holland@nbc.ca

Foreign Exchange & Interest Rates  
National Bank of Canada  
311 - 6 Avenue SW, 6<sup>th</sup> 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<sup>th</sup> Floor  
Calgary, AB T2P 3H2

Telephone:  
Facsimile:  
E-mail:

(403) 294-4935  
(403) 294-4923  
energy@nbcenergy.com



RECEIVED

JUL 12 2013

Writer's Direct Line  
(403) 294-4958

July 9, 2013

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

ATTENTION: **Robert Hemminger**  
VP Finance & CFO

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Scollard Energy Inc., 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:** SCOLLARD ENERGY INC. (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:** \$45,000,000.

**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\$50,000.

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 \$5,000,000 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 the Applicable Margin as per the Pricing Grid below. 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00*
Prime Rate Loans	50 bps	75 bps	100 bps	150 bps	200 bps	250 bps
BAs (Stamping Fee)	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
L/C/G Fees	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Current Rate

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.



In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

**MASTERCARD FACILITY** (the "Credit Facility B").

**MAXIMUM AMOUNT:**

\$50,000.

**PURPOSE:**

Credit Facility B 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 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.

**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:**

\$67,500 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 June 22, 2012.
2. Accepted Amending Offering Letters dated October 19, 2012 and March 14, 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. 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. ISDA Agreement.
9. Legal Opinion of the Bank's counsel.

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

**To Be Obtained:**

1. Accepted Offering Letter dated July 9, 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 draft financial statements dated March 31, 2013, 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, including balance sheet, income statement, and cash flow statement, 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 65% of actual production volumes for year 1 and 50% of actual production volumes for year 2.
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 October 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

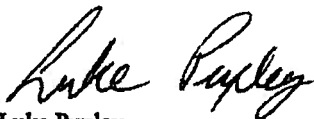
This Offering Letter is open for acceptance until July 17, 2013 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

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 Scollard Energy Inc. 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  
Exk.k.ure  
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AGREED AND ACCEPTED this 11 day of July, 2013.

**SCOLLARD ENERGY INC.**

Per: 

Per: 

**APPENDIX A**

**CREDIT:** 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

**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  
(403) 294-4922  
(403) 294-3078  
gerry.mclean@nbc.ca

**BRANCH:** 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

**INTERNET/  
TELEPHONE  
BANKING** 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

**OTHER:** 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<sup>th</sup> 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<sup>th</sup> 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 Scollard Energy Inc. (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 July 9, 2013 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;
8. As required, I have calculated the Net Debt to Cash Flow Ratio for the fiscal quarter ended as follows:  
\_\_\_\_\_ : 1.00; and
9. 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,

**SCOLLARD ENERGY INC.**

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



**SCOLLARD ENERGY INC.  
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:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$
+ Working Capital Deficit (any positive working capital deducted)	\$

**Net Debt**

\$

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$
+ Depletion, depreciation, accretion, and amortization	\$
+ Deferred income taxes	
+ Other charges to operations not requiring a current cash payment	\$
- Non-cash income	\$
- Unrealized mark to market gains	\$
- Capital Lease payments	\$
- Abandonment costs paid in cash	\$
- Stock based compensation	\$
- Extraordinary or nonrecurring earnings, gains, and losses	\$
+/- Such other amounts as reasonably requested by the Bank.	\$
<b>Quarterly Cash Flow</b>	<u>\$</u>

Quarterly Cash Flow (annualized) \$ \_\_\_\_\_ x 4 = \$

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$

## 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\$", "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 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

NOV 28 2013

Writer's Direct Line  
(403) 294-4958

November 25, 2013

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES -- NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated July 9, 2013, which shall remain in full force and effect unless superseded below.

**BORROWER: SCOLLARD ENERGY INC. (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.**

**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 November 25, 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. 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 February 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 2, 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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA

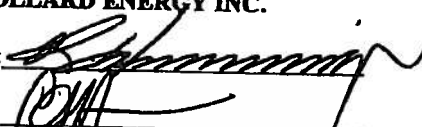
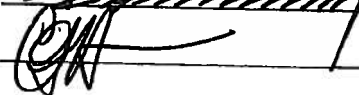
  
Luke Puxley  
Director  
Energy Group

  
Dan Lindquist  
Managing Director and Co-Head  
Credit Capital Markets Calgary

/s/  
F:\Data\CLIENTS\CB - Puxley L\Scollard Energy Inc\Cred\2013\Offering Letter - Amending 1113.docx

AGREED AND ACCEPTED this 26 day of NOVEMBER, 2013

SCOLLARD ENERGY INC.

Per:   
Per: 

Robert Hemminger  
Chief Financial Officer

Craig F. Hruska  
President

**APPENDIX A**

<b><u>CREDIT:</u></b>	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
<b><u>ADMINISTRATION:</u></b>	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:	Mrs. Gerry Klein (403) 294-4922 (403) 294-3078 gerry.klein@nbc.ca
<b><u>BRANCH:</u></b>	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
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	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
<b><u>OTHER:</u></b>	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 <sup>th</sup> 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 <sup>th</sup> Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com



RECEIVED

MAR 1 0 2013

Writer's Direct Line  
(403) 294-4958

March 14, 2013

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated June 22, 2012, as amended October 19, 2012, which shall remain in full force and effect unless superseded below.

**BORROWER: SCOLLARD ENERGY INC. (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 March 14, 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.

**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 65% of actual production volumes for year 1 and 50% of actual production volumes for year 2.

**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 March 21, 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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**



Luke Puxley  
Director  
Energy Group



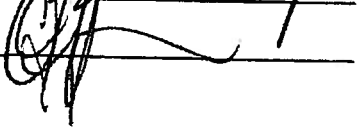
David K. Forsyth  
Managing Director  
Energy Group

sgm  
Enclosure  
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AGREED AND ACCEPTED this 14 day of MARCH, 2013.

**SCOLLARD ENERGY INC.**

Per: 

Per: 

**APPENDIX A**

**CREDIT:**

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

**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  
(403) 294-4922  
(403) 294-3078  
gerry.mclean@nbc.ca

**BRANCH:**

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

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(888) 483-5628

**OTHER:**

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<sup>th</sup> 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<sup>th</sup> Floor  
Calgary, AB T2P 3H2

Telephone:  
Facsimile:  
E-mail:

(403) 294-4935  
(403) 294-4923  
energy@nbcenergy.com



RECEIVED

OCT 22 2012

Writer's Direct Line  
(403) 294-4958

October 19, 2012

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated June 22, 2012, which shall remain in full force and effect unless superseded below.

**BORROWER:** SCOLLARD ENERGY INC. (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:** \$47,000,000.

**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 certain petroleum and natural gas reserves from Anderson Energy.

**AVAILABILITY:** Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$50,000.  
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 \$5,000,000 in any currency acceptable to the Bank.  
Total Advances under Credit Facility A restricted to \$37,500,000. Concurrent with the close of the West Pembina acquisition (Acquisition #1), Availability to increase to \$41,000,000. Subject to satisfactory evidence of not less than \$10,000,000 of fresh equity being injected, and concurrent with the Bigoray/Strachan acquisition (Acquisition #2), Availability to increase to \$47,000,000.



**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:**

\$23,750 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 October 19, 2012.
2. Appropriate updated 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.
3. 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 \$47,000,000 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. Evidence of closing of Acquisition #1 and Acquisition #2 as per Availability above, including a copy of the executed purchase and sale agreement and any related conveyance.

- ✓ 4. No interest letter(s) related to the Acquisitions from Anderson Energy.
- ✓ 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 May 1, 2013, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

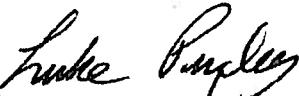
This Amending Offering Letter is open for acceptance until October 23, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

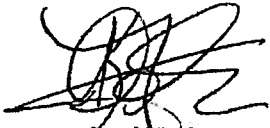
If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be 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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**

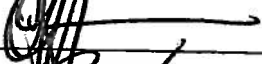

  
Luke W. Puxley  
Director  
Energy Group

  
David K. Forsyth  
Managing Director  
Energy Group

/gm  
Enclosure  
F:\Data\CLIENTS\X2B - Strimer KS\Scollard Energy Inc, Credit 2012\Commitment Amend 1012.doc

AGREED AND ACCEPTED this 22 day of OCTOBER, 2012.

**SCOLLARD ENERGY INC.**

Per:   
Per: 

**APPENDIX A**

**CREDIT:** Energy Group  
National Bank of Canada  
311 – 6 Avenue SW, Suite 1800  
Calgary, AB T2P 3H2

Director:  
Telephone:  
Facsimile:  
E-mail:

Mr. Kevin Striemer  
Mr. Luke Puxley  
(403) 294-4958  
(403) 294-3078  
kevin.striemer@nbc.ca  
luke.puxley@nbc.ca

Associate:  
Telephone:  
Facsimile:  
E-mail:

Ms. Audrey Ng  
(403) 294-4966  
(403) 294-3078  
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:  
Telephone:  
Facsimile:  
E-mail:

Ms. Gerry McLean  
(403) 294-4922  
(403) 294-3078  
gerry.mclean@nbc.ca

**BRANCH:** Calgary Downtown Branch  
National Bank of Canada  
301 – 6 Avenue SW  
Calgary, AB T2P 4M9

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Facsimile:

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(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

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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<sup>th</sup> Floor  
Calgary, AB T2P 3H2

Director, Risk  
Management Solutions:  
Telephone:  
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E-mail:

Mr. George Androulidakis  
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george.androulidakis@tres.bnc.ca

Commodity Derivatives  
311 – 6 Avenue SW, 6<sup>th</sup> Floor  
Calgary, AB T2P 3H2

Telephone:  
Facsimile:  
E-mail:

(403) 294-4935  
(403) 294-4923  
energy@nbcenergy.com



JUN 22 2011

Writer's Direct Line  
(403) 294-4958

June 22, 2012

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Scollard Energy Inc., 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: SCOLLARD ENERGY INC. (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: \$37,500,000.**

**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\$50,000.**

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

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 \$5,000,000 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 the Applicable Margin as per the Pricing Grid below. 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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. The issuance fee is waived for Letters of Guarantee issued to Alberta Treasury Branches to secure marked-to-market exposure for gas hedges now outstanding.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00*
Prime Rate Loans	50 bps	75 bps	100 bps	150 bps	200 bps	250 bps
BAs (Stamping Fee)	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
L/C/G Fees	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Current rate.

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans, and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

**MASTERCARD PREMIA CARD** (the "Credit Facility B").

**MAXIMUM AMOUNT:**

\$50,000.

**PURPOSE:**

Credit Facility B 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 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.

**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:**

\$56,250 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 June 17, 2011.
2. Accepted Amending Offering Letters dated March 28, 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. ISDA Agreement.
9. Legal Opinion of the Bank's counsel.

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

**To Be Obtained:**

1. Accepted Offering Letter dated June 22, 2012.

**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 including balance sheet, income statement, and cash flow statement 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 \$1,875,000 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 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 \$1,875,000 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 \$1,875,000, 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.

**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 October 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

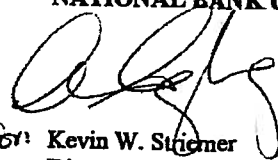
This Offering Letter is open for acceptance until June 29, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.


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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**

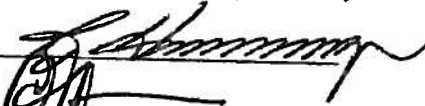
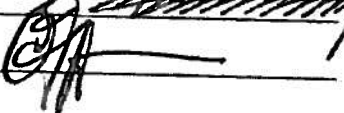
  
for: Kevin W. Striemer  
Director  
Energy Group

  
David K. Forsyth  
Managing Director  
Energy Group

/gm  
Enclosure  
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AGREED AND ACCEPTED this 22 day of JUNE, 2012.

**SCOLLARD ENERGY INC.**

Per:   
Per: 

**APPENDIX A**

**CREDIT:**

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

**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  
(403) 294-4922  
(403) 294-3078  
gerry.mclean@nbc.ca

**BRANCH:**

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

**INTERNET/  
TELEPHONE  
BANKING**

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

**OTHER:**

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<sup>th</sup> 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<sup>th</sup> 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 Scollard Energy Inc. (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 June 22, 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,

**SCOLLARD ENERGY INC.**

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

**SCOLLARD ENERGY INC.  
 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:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$	
+ Working Capital Deficit (any positive working capital deducted)	\$	

**Net Debt**

\$

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$	
+ Depletion, depreciation, accretion, and amortization	\$	
+ Future income taxes		
+ Other charges to operations not requiring a current cash payment	\$	
- Non-cash income	\$	
- Unrealized mark to market gains	\$	
- Capital Lease payments	\$	
- Abandonment costs paid in cash	\$	
- Extraordinary or nonrecurring earnings, gains, and losses	\$	
+/- Such other amounts as reasonably requested by the Bank.	\$	
<b>Quarterly Cash Flow</b>	\$	<u></u>

Quarterly Cash Flow (annualized) \$ \_\_\_\_\_ x 4 = \$ \_\_\_\_\_

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$

## 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 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.



NATIONAL BANK

MAR 28 2012

Writer's Direct Line  
(403) 294-4958

March 28, 2012

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated June 17, 2012, which shall remain in full force and effect unless superseded below.

**BORROWER:** SCOLLARD ENERGY INC. (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 March 28, 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.

**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 June 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

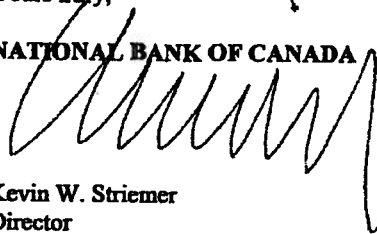
This Amending Offering Letter is open for acceptance until April 5, 2012 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

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 Scollard Energy Inc. 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  
F:\Data\CLIENTS\XCB - Striemer K\Scollard Energy Inc\Conf\2012\Commitment Amend 0312.docx

AGREED AND ACCEPTED this 29 day of March, 2012.

SCOLLARD ENERGY INC.

Per: 

Per: 

## APPENDIX A

### CREDIT:

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

### 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 (403) 294-4922 (403) 294-3078 gerry.mclean@nbc.ca
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### BRANCH:

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

### INTERNET/ TELEPHONE BANKING

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
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### OTHER:

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 <sup>th</sup> 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 <sup>th</sup> Floor Calgary, AB T2P 3H2	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4923 energy@nbcenergy.com



JUN 20 2011

June 17, 2011

**BY COURIER**

Scollard Energy Inc.  
333 - 5 Avenue SW, Suite 1710  
Calgary, AB T2P 3B6

**ATTENTION: Mr. Robert Hemminger**  
**VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Scollard Energy Inc., 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:** SCOLLARD ENERGY INC. (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:** \$40,000,000.

**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\$50,000.

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

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 \$5,000,000 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 the Applicable Margin as per the Pricing Grid below. 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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. The issuance fee is waived for Letters of Guarantee issued to Alberta Treasury Branches to secure marked-to-market exposure for gas hedges now outstanding.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50*	>2.50 ≤ 3.00	> 3.00
Prime Rate Loans	50 bps	75 bps	100 bps	150 bps	200 bps	250 bps
BAs (Stamping Fee)	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
L/C/G Fees	175 bps	200 bps	225 bps	275 bps	325 bps	375 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Initial Rate

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans, and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

MASTERCARD PREMIA CARD (the "Credit Facility B").

**MAXIMUM AMOUNT:**

\$50,000.

**PURPOSE:**

Credit Facility B 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**

- PURPOSE:** Risk Management Facility shall be used by the Borrower for Financial Instruments.
- AVAILABILITY:** Various Financial Instruments. Maximum term 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.
- 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:** \$60,000 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 July 16, 2010.
2. Accepted Amending Offering Letters dated September 20, 2010.
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. Alberta Land Titles Office Name Search Consent from each Loan Party.
8. Assignment of revenues and monies under material contracts, as applicable.
9. ISDA Agreement.
10. Legal Opinion of the Bank's counsel.

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

**To Be Obtained:**

1. Accepted Offering Letter dated June 17, 2011.

**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, 2010, 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"):

- I. A Revolving Demand Credit Agreement in the face amount of \$40,000,000 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 including balance sheet, income statement, and cash flow statement 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 \$2,000,000 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 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 \$2,000,000 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 \$2,000,000, 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.

**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 February 1, 2012, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

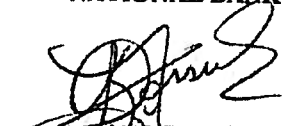
This Offering Letter is open for acceptance until June 28, 2011 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

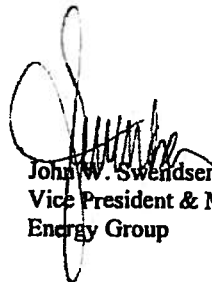
If the foregoing terms and conditions are acceptable, please sign two copies of this Offering Letter and return one copy to the Bank by the Expiry Date. This Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and 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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**

  
David R. Forsyth  
Director  
Energy Group

  
John W. Swendsen  
Vice President & Managing Director  
Energy Group

/gm  
Enclosure  
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AGREED AND ACCEPTED this 20 day of June, 2011.

**SCOLLARD ENERGY INC.**

Per: 

Per: 



## APPENDIX A

**CREDIT:**

Energy Group National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director: Telephone: Facsimile: E-mail:	Mr. David Forsyth (403) 294-4957 (403) 294-3078 david.forsyth@nbcenergy.com
	Associate: Telephone: Facsimile: E-mail:	Mr. Nathan McAdam (403) 294-4982 (403) 294-3078 nathan.mcadam@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: Ms. Gerry McLean  
Telephone: (403) 294-4922  
Facsimile: (403) 294-3078  
E-mail: gerry.mclean@nbcenergy.com

**BRANCH:**

Calgary Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
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**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: 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 – 8<sup>th</sup> 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 Scollard Energy Inc. (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 June 17, 2011, 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,

**SCOLLARD ENERGY INC.**

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

Name:  
Title:

**SCOLLARD ENERGY INC.  
 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:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$	
+ Working Capital Deficit (any positive working capital deducted)	\$	
		<u>Net Debt</u>

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$	
+ Depletion, depreciation, accretion, and amortization	\$	
+ Future income taxes		
+ Other charges to operations not requiring a current cash payment	\$	
- Non-cash income	\$	
- Unrealized mark to market gains	\$	
- Capital Lease payments	\$	
- Abandonment costs paid in cash	\$	
- Extraordinary or nonrecurring earnings, gains, and losses	\$	
+/- Such other amounts as reasonably requested by the Bank.	\$	
	\$	<u>Quarterly Cash Flow</u>

Quarterly Cash Flow (annualized)    \$ \_\_\_\_\_ x 4 =    \$ \_\_\_\_\_

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$

## 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.

September 20, 2010

**BY COURIER**

Scollard Energy Inc.  
540 - 5 Avenue SW, Suite 1720  
Calgary, AB T2P 0M2

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES - NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated July 16, 2010, which shall remain in full force and effect unless superseded below.

**BORROWER:** SCOLLARD ENERGY INC. (the "Borrower").

**GUARANTOR:** CABRERRA RESOURCES LTD. (the "Guarantor")

(the Borrower and the Guarantor are collectively referred to as "Loan Parties", and each, a "Loan Party").

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

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

**MAXIMUM AMOUNT:** \$40,000,000.

**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 Cabrerra Resources Ltd. closing by September 24, 2010.

**AVAILABILITY:** Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$50,000.

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 \$5,000,000 in any currency acceptable to the Bank.

Maximum Amount under Credit Facility A restricted to \$22,000,000 pending evidence of completion of the arrangement with Cabrerra Resources Ltd. (the "Arrangement Condition") and payout of Cabrerra's loan facilities with the Bank.

**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 the Applicable Margin as per the Pricing Grid below. 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 per annum as per the Pricing Grid below 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 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.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00*	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00
Prime Rate Loans	75 bps	100 bps	125 bps	150 bps	175 bps	250 bps
BAs (Stamping Fee)	225 bps	250 bps	275 bps	300 bps	325 bps	400 bps
L/C/G Fees	150 bps	175 bps	200 bps	250 bps	300 bps	300 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Initial Rate

**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.

**FEES:**

\$47,000 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 20, 2010.
2. Guarantee of the Borrower from Cabrerra Resources Ltd., supported by Security as called for by the Bank.
3. 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 \$40,000,000 duly executed and delivered to the Bank by the Borrower.
2. Prior to advances under Credit Facility A exceeding \$22,000,000, completion of the Arrangement Condition.
3. All Security To Be Obtained 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. 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, 2011, but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

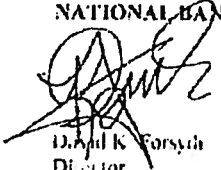
This Amending Offering Letter is open for acceptance until September 27, 2010 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA

  
David K. Forsyth  
Director  
Energy Group

  
Jonathan S. Giesch  
Vice President & Managing Director  
Energy Group

AGREED AND ACCEPTED this 21 day of September, 2010.

SCOLLARD ENERGY INC.

Per: 

Per: Craig F. Hruska  
President

  
Robert Hemminger  
Controller & CFO

**APPENDIX A**

**CREDIT:** Energy Group  
National Bank of Canada  
530 – 8 Avenue SW, Suite 2700  
Calgary, AB T2P 3S8

Director: Mr. David Forsyth  
Telephone: (403) 294-4957  
Facsimile: (403) 294-3078  
E-mail: david.forsyth@nbcenergy.com

Associate: Mr. Robert Chorley  
Telephone: (403) 294-4920  
Facsimile: (403) 294-3078  
E-mail: robert.chorley@nbcenergy.com

**ADMINISTRATION:** BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan / Account Balances; Canadian Money Orders; / Bank Drafts; Bank Confirmations; General

Account Representative: Ms. Gerry McLean  
Telephone: (403) 294-4922  
Facsimile: (403) 294-3078  
E-mail: gerry.mclean@nbcenergy.com

**BRANCH:** Calgary Branch  
National Bank of Canada  
301 – 6 Avenue SW  
Calgary, AB T2P 4M9

Telephone: (403) 294-4900  
Facsimile: (403) 294-4965

**INTERNET/  
TELEPHONE  
BANKING** Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts; Foreign Currency Money Orders/Bank Drafts; Obtain Exchange Rates; Investment Information

Website: www.nbc.ca  
Telephone: (888) 483-5628

**OTHER:** Global Cash Management  
530 – 8 Avenue SW, Suite 2700  
Calgary, AB T2P 3S8

Manager: Ms. Kathy Holland  
Telephone: (403) 294-4948  
Facsimile: (403) 294-4993  
E-mail: kholland@nbc.ca

Treasury & Financial Markets  
National Bank of Canada  
1155 Metcalfe Street, 1<sup>st</sup> Floor  
Montreal, QC H3B 5G2

Telephone: (514) 238-0164  
(800) 238-0164  
Facsimile: (514) 514-394-4095

Treasury & Financial Markets  
National Bank of Canada  
530 – 8 Avenue SW, Suite 2700  
Calgary, AB T2P 3S8

Director – Foreign Exchange Mr. George Androulidakis  
Telephone: (403) 440-1126  
Facsimile: (403) 294-4993  
E-mail: george.androulidakis@tres.bnc.ca

Global Risk Management  
Energy Client Coverage  
530 – 8 Avenue SW, Suite 2700  
Calgary, AB T2P 3S8

Telephone: (403) 294-4935  
Facsimile: (403) 294-4993  
E-mail: 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 \$40,000,000.00 —, Forty Million — 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 and one-quarter (1.25%) 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.

\* or at such other interest rate as calculated in accordance with the Pricing Grid provision of the July 16, 2010, as amended from time to time, between the Bank and the Customer.

**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 \$50,000.00 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 \$50,000.00 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 judgment payment date, with respect to the judgment 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 THIS 21 DAY OF SEPTEMBER, 2010.

NATIONAL BANK OF CANADA

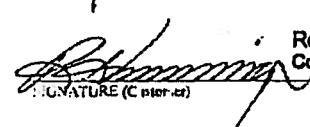
  
SIGNATURE (Bank)

David K. Forsyth  
Director  
Energy Group

SCOLLARD ENERGY INC.

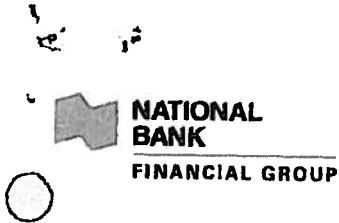
  
SIGNATURE (Customer)

Craig F. Hruska  
President

  
SIGNATURE (Controller)

Robert Hemminger  
Controller & CFO





JUL 1 3 2010

Writer's Direct Line  
(403) 294-4957

July 16, 2010

**BY COURIER**

Scollard Energy Inc.  
540 – 5 Avenue SW, Suite 1720  
Calgary, AB T2P 0M2

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following revised Credit Facilities for Scollard Energy Inc., 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: SCOLLARD ENERGY INC. (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: \$22,000,000.**

**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\$50,000.**

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

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 \$5,000,000 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 the Applicable Margin as per the Pricing Grid below. 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 2.50% 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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. The issuance fee is waived for Letters of Guarantee issued to Alberta Treasury Branches to secure marked-to-market exposure for gas hedges now outstanding.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00*	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00
Prime Rate Loans	75 bps	100 bps	125 bps	150 bps	175 bps	250 bps
BAs (Stamping Fee)	225 bps	250 bps	275 bps	300 bps	325 bps	400 bps
L/C/G Fees	150 bps	175 bps	200 bps	250 bps	300 bps	300 bps
Standby Fees	20 bps	25 bps	30 bps	35 bps	40 bps	45 bps

\* Initial Rate

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans, and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that

interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect. In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

MASTERCARD PREMIA CARD (the "Credit Facility B").

**MAXIMUM AMOUNT:**

\$50,000.

**PURPOSE:**

Credit Facility B 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 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.

**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.

**COMMITMENT FEES:**

\$44,000 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 June 30, 2009.
2. Accepted Amending Offering Letters dated October 21, 2009 and December 11, 2009.

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. Alberta Land Titles Office Name Search Consent from each Loan Party.
8. Assignment of revenues and monies under material contracts, as applicable.
9. ISDA Agreement.
10. Legal Opinion of the Bank's counsel.

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

**To Be Obtained:**

1. Accepted Offering Letter dated July 16, 2010.
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 March 31, 2010, 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 \$22,000,000 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 including balance sheet, income statement, and cash flow statement 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. 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.
12. Utilize the Advances only for the applicable purposes stipulated herein.
13. 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 \$1,200,000 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (ii) 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.
14. Notify the Bank, without delay, of any Default or Event of Default.
15. 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
16. 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 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 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 \$1,200,000 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 settle 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 \$1,200,000, 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 security 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.

**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 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 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 inequity 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, nor the 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.

**GENERALLY ACCEPTED  
ACCOUNTING  
PRINCIPLES:**

All financial statements required to be furnished by the Borrower to the Lender 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.

**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 periodically 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, 2011 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 July 23, 2010 (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.


Scollard Energy Inc.  
RE: Offering Letter  
July 16, 2010

Page 16

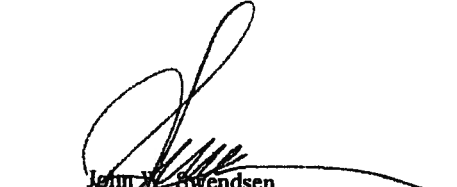
National Bank of Canada appreciates the opportunity of providing this Offering Letter to Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**



David K. Forsyth  
Director  
Energy Group



John W. Swendsen  
Vice President & Managing Director  
Energy Group

Ign  
Enclosure  
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AGREED AND ACCEPTED this 16 day of July, 2010.

**SCOLLARD ENERGY INC.**

Per: 

Per: 



**APPENDIX A**

**CREDIT:**

Energy Group National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director: Telephone: Facsimile: E-mail:	Mr. David Forsyth (403) 294-4957 (403) 294-3078 david.forsyth@nbcenergy.com
	Associate: Telephone: Facsimile: E-mail:	Mr. Robert Chorley (403) 294-4920 (403) 294-3078 robert.chorley@nbcenergy.com

**ADMINISTRATION:**

BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan / Account Balances; Canadian Money Orders; / Bank Drafts; Bank Confirmations; General	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbcenergy.com
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**BRANCH:**

Calgary Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
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**INTERNET/  
TELEPHONE  
BANKING**

Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts; Foreign Currency Money Orders/Bank Drafts; Obtain Exchange Rates; Investment Information	Website: Telephone:	www.nbc.ca (888) 483-5628
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**OTHER:**

Global Cash Management 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 294-4993 kholland@nbc.ca
Treasury & Financial Markets National Bank of Canada 1155 Metcalfe Street, 1 <sup>st</sup> Floor Montreal, QC H3B 5G2	Telephone: Facsimile:	(514) 238-0164 (800) 238-0164 (514) 514-394-4095
Treasury & Financial Markets National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – Foreign Exchange Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4993 george.androulidakis@tres.bnc.ca
Global Risk Management Energy Client Coverage 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 – 8<sup>th</sup> 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 Scollard Energy Inc. (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 July 16, 2010, 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. As required, I have calculated the Net Debt to Cash Flow Ratio for the fiscal quarter ended as follows:  
\_\_\_\_\_ : 1.00; and
9. 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,

**SCOLLARD ENERGY INC.**

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

**SCOLLARD ENERGY INC.  
 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> (A)

**Current Liabilities**

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

Adjusted Working Capital Ratio calculated as follows:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$
+ Working Capital Deficit (any positive working capital deducted)	\$
	<u>                    </u>
	<u>                    </u>

**Net Debt**

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$
+ Depletion, depreciation, accretion, and amortization	\$
+ Future income taxes	
+ Other charges to operations not requiring a current cash payment	\$
- Non-cash income	\$
- Unrealized mark to market gains	\$
- Capital Lease payments	\$
- Abandonment costs paid in cash	\$
- Extraordinary or nonrecurring earnings, gains, and losses	\$
+/- Such other amounts as reasonably requested by the Bank.	\$
	<u>                    </u>
	<u>                    </u>

**Quarterly Cash Flow**

Quarterly Cash Flow (annualized)	\$	x 4 =	\$
	<u>                    </u>		<u>                    </u>

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$

## 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) future income taxes; and
- (d) 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):

- (d) obligations under BAs;
- (e) issued and drawn L/C/Gs;
- (f) obligations under guarantees, indemnities, or such other agreements providing financial assistance;
- (g) Capital Leases or sales/lease-backs;
- (h) obligations under deferred purchase price agreements;
- (i) deferred revenues relating to third party obligations;
- (j) 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;

- (k) any distributions declared but not yet paid; and
- (l) 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 in Canada, as published in the Handbook of 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:

- (m) the business, financial condition, operations, assets or capitalization of the Borrower on a consolidated basis and taken as a whole;
- (n) 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;
- (o) 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;

- (p) 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
- (q) 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:

- (r) such Loan Party has established reasonable reserves therefor in accordance with GAAP;
- (s) proceeding with such contest does not have, and would not reasonably be expected to have, a Material Adverse Effect; and
- (t) 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:

- (u) 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;
- (v) 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;
- (w) 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;
- (x) 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;
- (y) 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;
- (z) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;

- (aa) security interests in favour of the Bank securing the obligations of any Loan Party under the Offering Letter or the Security;
- (bb) the Security;
- (cc) 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;
- (dd) 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;
- (ee) 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;
- (ff) 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;
- (gg) 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;
- (hh) 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
- (ii) 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:

- (ij) 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
- (kk) 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:

- (ll) 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
- (mm) 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:

- (nn) 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;

- (oo) 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;
- (pp) 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.

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 ~~\$22,000,000.00~~, Twenty Two Million 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 three-quarters (0.75%) 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 two and one-half (2.50%) per cent per annum.

\* or at such other interest rate as calculated in accordance with the Pricing Grid provision of the July 16, 2010, as amended from time to time, between the Bank and the Customer.

**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 \$50,000.00 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 \$50,000.00 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 THIS 16 DAY OF July 2010

NATIONAL BANK OF CANADA

SIGNATURE (Bank)

David K. Forsyth  
Director  
Energy Group

SCOLLARD ENERGY INC.

SIGNATURE (Customer)

SIGNATURE (Customer)

December 11, 2009

**BY COURIER**

Scollard Energy Inc.  
540 – 5 Avenue SW, Suite 1720  
Calgary, AB T2P 0M2

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated June 30, 2009, as amended October 21, 2009, which shall remain in full force and effect unless superseded below.

**BORROWER:** SCOLLARD ENERGY INC. (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 December 10, 2009.
2. Updated title representation 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.
3. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

**To Be Released:**

1. Subordination and Postponement Agreement for loans made by Toscana Capital Corp.

**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 To Be Obtained 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 periodically 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 31, 2010, 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 17, 2009 (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.

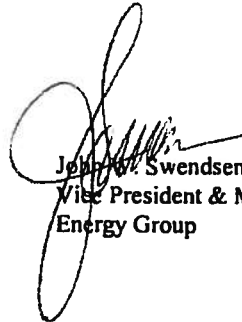
If the foregoing terms and conditions are acceptable, please sign two copies of this Amending Offering Letter and return one copy to the Bank by the Expiry Date. This Amending Offering Letter may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be 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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**

  
David K. Forsyth  
Manager  
Energy Group

  
John W. Swendsen  
Vice President & Managing Director  
Energy Group

4/m  
Enclosure  
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AGREED AND ACCEPTED this 16 day of December, 2009.

**SCOLLARD ENERGY INC.**

Per: 

Per: 

## APPENDIX A

<b><u>CREDIT:</u></b>	Energy Group National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Mr. David Forsyth (403) 294-4957 (403) 294-3078 david.forsyth@nbcenergy.com
<b><u>ADMINISTRATION:</u></b>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan / Account Balances; Canadian Money Orders; / Bank Drafts; Bank Confirmations; General	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbcenergy.com
<b><u>BRANCH:</u></b>	Calgary Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts; Foreign Currency Money Orders/Bank Drafts; Obtain Exchange Rates; Investment Information	Website: Telephone:	www.nbc.ca (888) 483-5628
<b><u>OTHER:</u></b>	Global Cash Management 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 294-4993 kholland@nbc.ca
	Treasury & Financial Markets National Bank of Canada 1155 Metcalfe Street, 1 <sup>st</sup> Floor Montreal, QC H3B 5G2	Telephone: Facsimile:	(514) 238-0164 (800) 238-0164 (514) 514-394-4095
	Treasury & Financial Markets National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – Foreign Exchange Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4993 george.androulidakis@tres.bnc.ca
	Global Risk Management Energy Client Coverage 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Telephone: Facsimile: E-mail:	(403) 294-4935 (403) 294-4993 energy@nbcenergy.com



**NATIONAL  
BANK**

**FINANCIAL GROUP**

Writer's Direct Line  
(403) 294-4957

October 21 2009

**BY COURIER**

Scollard Energy Inc.  
540 - 5 Avenue SW, Suite 1390 1720  
Calgary, AB T2P 0M2

**ATTENTION: Mr. Robert Hemminger  
VP Finance & CFO**

Dear Sir:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following amendments to the Credit Facilities for Scollard Energy Inc., subject to the terms and conditions of the accepted Offering Letter dated June 30, 2009, which shall remain in full force and effect unless superseded below.

**BORROWER:** SCOLLARD ENERGY INC. (the "Borrower") (the Borrower is also referred to herein as a "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 21 2009.
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 To Be Obtained 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 periodically 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 March 1, 2010, 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 29, 2009 (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.

Scollard Energy Inc.  
RE: Amending Offering Letter  
October 21 2009

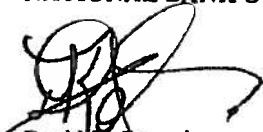
Page 3

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 Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

NATIONAL BANK OF CANADA

  
David K. Forsyth  
Manager  
Energy Group

  
John W. Swendsen  
Vice President & Managing Director  
Energy Group

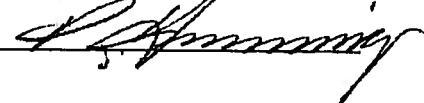
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AGREED AND ACCEPTED this 21 day of OCTOBER, 2009.

SCOLLARD ENERGY INC.

Per: 

Ken Moen  
President

Per: 

Robert Hemmlinger  
Controller & CFO

## APPENDIX A

<b><u>CREDIT:</u></b>	Energy Group National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Mr. David Forsyth (403) 294-4957 (403) 294-3078 david.forsyth@nbcenergy.com
<b><u>ADMINISTRATION:</u></b>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan / Account Balances; Canadian Money Orders; / Bank Drafts; Bank Confirmations; General	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbcenergy.com
<b><u>BRANCH:</u></b>	Calgary Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts; Foreign Currency Money Orders/Bank Drafts; Obtain Exchange Rates; Investment Information	Website: Telephone:	www.nbc.ca (888) 483-5628
<b><u>OTHER:</u></b>	Global Cash Management 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 294-4993 kholland@nbc.ca
	Treasury & Financial Markets National Bank of Canada 1155 Metcalfe Street, 1 <sup>st</sup> Floor Montreal, QC H3B 5G2	Telephone: Facsimile:	(514) 238-0164 (800) 238-0164 (514) 514-394-4095
	Treasury & Financial Markets National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – Foreign Exchange Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4993 george.androulidakis@tres.bnc.ca
	Global Risk Management Energy 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – Energy: Telephone: Facsimile: E-mail:	Mr. J.T. (Jim) Wallace (403) 294-4935 (403) 294-4993 jim.wallace@nbcenergy.com

Energy Group

 NATIONAL  
BANK  
OF CANADA

Writer's Direct Line  
(403) 294-4957

June 30, 2009

**BY COURIER**

Scollard Energy Inc.  
540 - 5 Avenue SW, Suite 1590  
Calgary, AB T2P 0M2

**ATTENTION:** Mr. Craig Hruska  
CEO & Chairman

Mr. Ken Moen  
President

Mr. Robert Hemminger  
VP Finance & CFO

Dear Sirs:

**RE: CREDIT FACILITIES – NATIONAL BANK OF CANADA / SCOLLARD ENERGY INC.**

We are pleased to advise that National Bank of Canada has approved the following Credit Facilities for Scollard Energy Inc., 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:** SCOLLARD ENERGY INC. (the "Borrower") (the Borrower is also referred to herein as a "Loan Party").

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

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

**MAXIMUM AMOUNT:** \$24,000,000.

**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 Alberta Treasury Branch.

**AVAILABILITY:** Prime Rate loans ("Prime Rate Loans"). Revolving in whole multiples of Cdn\$50,000.  
Bankers' acceptances in Canadian dollars ("BAs").

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 \$5,000,000 in any currency acceptable to the Bank.

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

2700, 530 - 8 Avenue SW  
Calgary, Alberta T2P 3S8  
Telephone: (403) 294-4992  
Fax: (403) 294-3078

**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 the Applicable Margin as per the Pricing Grid below. 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 2.25% 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 per annum as per the Pricing Grid below 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 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:**

The Applicable Margin as per the Pricing Grid below 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:**

The Applicable Margin as per the Pricing Grid below 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. The issuance fee is waived for Letters of Guarantee issued to Alberta Treasury Branches to secure marked-to-market exposure for gas hedges now outstanding.

**PRICING GRID:**

The Applicable Margin, Stamping Fee, L/C/G Fee or Standby Fee, as applicable, for Advances shall be adjusted quarterly (based upon unaudited preceding quarterly consolidated financial statements of the Borrower) in accordance with the Net Debt to Cash Flow Ratio in the following table (the "Pricing Grid"):

Type of Advance	Net Debt to Cash Flow Ratio					
	≤ 1.00	>1.00 ≤ 1.50	>1.50 ≤ 2.00	>2.00 ≤ 2.50	>2.50 ≤ 3.00	> 3.00*
Prime Rate Loans	25 bps	75 bps	100 bps	125 bps	175 bps	250 bps
BAs (Stamping Fee)	175 bps	225 bps	250 bps	275 bps	325 bps	400 bps
L/C/G Fees	150 bps	175 bps	200 bps	250 bps	300 bps	300 bps
Standby Fees	25 bps	30 bps	35 bps	40 bps	45 bps	50 bps

\* Initial Rate

**CHANGE IN MARGIN AND STANDBY FEES:**

Whenever this Offering Letter calls for a change in Margin or Fees by reason of a change in the Net Debt to Cash Flow Ratio, each such change shall be effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided.

In respect of Prime Rate Loans, and Standby Fees, the Borrower shall pay interest at the new Applicable Margin and Standby Fees effective on the first day of the fourth month following the end of the fiscal quarter for which the Compliance Certificate was provided, notwithstanding that any Advance was made prior to such date and notwithstanding that interest and Standby Fees prior to delivery of the Compliance Certificate were calculated and paid based upon the Applicable Margins and Standby Fee previously in effect.

In the case of any outstanding BAs, the Borrower and the Bank agree that the Stamping Fee shall be adjusted between them to reflect the change in the Stamping Fee to the end of the remaining term of each outstanding BA. The Bank is hereby authorized to make such adjustments in such manner and at such time as the Bank determines is practicable.

In the event that the Borrower should fail to provide a Compliance Certificate as and when required, then, at the discretion of the Bank, the Applicable Margin and Fees in all cases shall automatically be changed as if the Net Debt to Cash Flow Ratio was > 3.0.

**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:**

**MASTERCARD PREMIA CARD (the "Credit Facility B").**

**MAXIMUM AMOUNT:**

\$50,000.

**PURPOSE:**

Credit Facility B 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 24 months. Subject to Bank availability and including a cross default limit of \$1,000,000.

**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.

**COMMITMENT FEES:**

\$72,000 payable upon provision of this Offering Letter. Non-refundable. This fee includes the Bank's engineering expenses incurred for this Review and renewal fee at initial Review. *\$36,000 PAYABLE UPON SIGNING OF THE BALANCE AT OCTOBER 1, 2009*

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 June 30, 2009.
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. ISDA Agreement.
9. Subordination and Postponement Agreement for loans made by Toscana Capital Corp.
10. Legal Opinion of the Bank's counsel.
11. Such other security, documents, and agreements that the Bank or its legal counsel may reasonably request.

The Security shall be registered in the Province of Alberta, 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 March 31, 2009, 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. This Offering Letter.
2. A Revolving Demand Credit Agreement in the face amount of \$24,000,000 duly executed and delivered to the Bank by the Borrower.
3. Power of Attorney Form and Acknowledgement for Bankers' Acceptances duly executed and delivered to the Bank by the Borrower.

4. 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.
5. 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.
6. 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.
7. Evidence of repayment of credit facilities at Alberta Treasury Branch.
8. No interest letter from Alberta Treasury Branch.
9. True copy of constating documents, including all amendments thereto, of each Loan Party.
10. 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.
11. Alberta Land Titles Office Name Search Consent from each Loan Party.
12. All fees due and payable to the Bank shall have been paid.
13. No Default or Event of Default shall exist.
14. No Material Adverse Effect has occurred with respect to any Loan Party or the Security.
15. 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 including balance sheet, income statement, and cash flow statement 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 90 calendar days of each fiscal year end;

*Handwritten signatures and initials:*  
A large signature, possibly "AA", with "Ma" and "DA" written above it.  
A signature with "120" written above it.

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 90 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. 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.
12. Utilize the Advances only for the applicable purposes stipulated herein.
13. 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 \$1,200,000 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (ii) 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.

14. Notify the Bank, without delay, of any Default or Event of Default.
15. 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
16. 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 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 \$1,200,000 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 settle 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.

**ENVIRONMENTAL  
OBLIGATIONS:**

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.
  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 \$1,200,000, 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 security 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.

**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 inequity 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, nor the 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.

**GENERALLY ACCEPTED**

**ACCOUNTING**

**PRINCIPLES:**

All financial statements required to be furnished by the Borrower to the Lender 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.

**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 periodically 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 October 1, 2009 but may be set at an earlier or later date at the sole discretion of the Bank.

**EXPIRY DATE:**

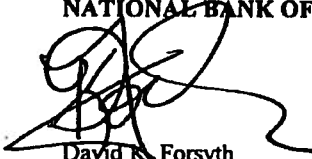
This Offering Letter is open for acceptance until July 8, 2009 (as may be extended from time to time as follows, the "Expiry Date") at which time it shall expire unless extended by mutual consent in writing. We reserve the right to cancel our offer at any time prior to acceptance.

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.

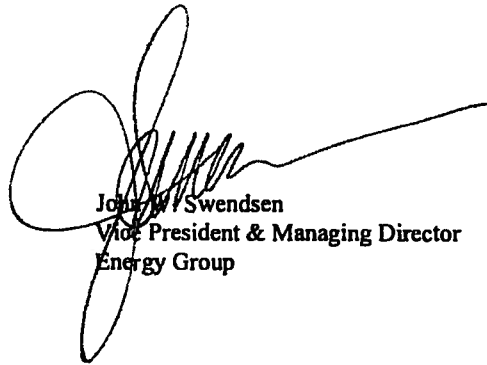
National Bank of Canada appreciates the opportunity of providing this Offering Letter to Scollard Energy Inc. We look forward to our continuing and mutually beneficial relationship.

Yours truly,

**NATIONAL BANK OF CANADA**



David K. Forsyth  
Manager  
Energy Group

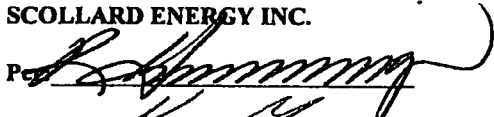



John W. Swendsen  
Vice President & Managing Director  
Energy Group

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AGREED AND ACCEPTED this 6 day of July, 2009.

**SCOLLARD ENERGY INC.**

Per:   
Per: 

## APPENDIX A

<b><u>CREDIT:</u></b>	Energy Group National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Mr. David Forsyth (403) 294-4957 (403) 294-3078 david.forsyth@nbcenergy.com
<b><u>ADMINISTRATION:</u></b>	BA Administration; Current Account Documents; L/C/Gs; MasterCard; Loan / Account Balances; Canadian Money Orders; / Bank Drafts; Bank Confirmations; General	Account Representative: Telephone: Facsimile: E-mail:	Ms. Gerry McLean (403) 294-4922 (403) 294-3078 gerry.mclean@nbcenergy.com
<b><u>BRANCH:</u></b>	Calgary Branch National Bank of Canada 301 – 6 Avenue SW Calgary, AB T2P 4M9	Telephone: Facsimile:	(403) 294-4900 (403) 294-4965
<b><u>INTERNET/ TELEPHONE BANKING</u></b>	Order Cheques, Loan/Account Balances; Traces; Stop Payments, List of Current Account Transactions; Pay Bills; Transfer Between Accounts; Foreign Currency Money Orders/Bank Drafts; Obtain Exchange Rates; Investment Information	Website: Telephone:	www.nbc.ca (888) 483-5628
<b><u>OTHER:</u></b>	Global Cash Management 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Manager: Telephone: Facsimile: E-mail:	Ms. Kathy Holland (403) 294-4948 (403) 294-4993 kholland@nbc.ca
	Treasury & Financial Markets National Bank of Canada 1155 Metcalfe Street, 1 <sup>st</sup> Floor Montreal, QC H3B 5G2	Telephone: Facsimile:	(514) 238-0164 (800) 238-0164 (514) 514-394-4095
	Treasury & Financial Markets National Bank of Canada 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – Foreign Exchange Telephone: Facsimile: E-mail:	Mr. George Androulidakis (403) 440-1126 (403) 294-4993 george.androulidakis@tres.bnc.ca
	Global Risk Management Energy 530 – 8 Avenue SW, Suite 2700 Calgary, AB T2P 3S8	Director – Energy: Telephone: Facsimile: E-mail:	Mr. J.T. (Jim) Wallace (403) 294-4935 (403) 294-4993 jim.wallace@nbcenergy.com

**APPENDIX B**

**COMPLIANCE CERTIFICATE**

To: National Bank of Canada  
530 – 8<sup>th</sup> 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;
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,

**SCOLLARD ENERGY INC.**

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

**SCOLLARD ENERGY INC.**  
**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:

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

**Calculation of Net Debt to Cash Flow Ratio**

**Net Debt**

Debt	\$
+ Working Capital Deficit (any positive working capital deducted)	\$
	<u>\$</u>

**Quarterly Cash Flow**

Net earnings for the fiscal quarter ending	\$
+ Depletion, depreciation, accretion, and amortization	\$
+ Future income taxes	\$
+ Other charges to operations not requiring a current cash payment	\$
- Non-cash income	\$
- Unrealized mark to market gains	\$
- Capital Lease payments	\$
- Abandonment costs paid in cash	\$
- Extraordinary or nonrecurring earnings, gains, and losses	\$
+/- Such other amounts as reasonably requested by the Bank.	\$
<b>Quarterly Cash Flow</b>	<u>\$</u>

Quarterly Cash Flow (annualized) \$ \_\_\_\_\_ x 4 = \$ \_\_\_\_\_

Net Debt to Cash Flow Ratio calculated as follows:

$$\frac{\text{Net Debt}}{\text{Annualized Cash Flow}} =$$

## 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) 294-4951, 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) future income taxes; and
- (d) 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 in Canada, as published in the Handbook of 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;
- (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.

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 \$24,000,000.00, TWENTY FOUR MILLION 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 Two and one-half (P + 2.50%) 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 Two and one-quarter (2.25%) per cent per annum.

\* or at such other interest rate as calculated in accordance with the Pricing Grid provision of the June 30, 2009 Offering Letter, as amended from time to time between the Bank and the Customer.

**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 \$50,000.00 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 \$50,000.00 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" "USS": 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 6 DAY OF July, 2009

NATIONAL BANK OF CANADA

SCOLLARD ENERGY INC.

  
SIGNATURE (Bank)

David K. Forsyth  
Manager  
Energy Group

  
SIGNATURE (Customer)

  
SIGNATURE (Customer)



**FIRST LOAN AMENDING AND EXTENSION AGREEMENT**

THIS AGREEMENT effective as of the 23<sup>rd</sup> day of December, 2015.

BETWEEN:

**NATIONAL BANK OF CANADA (the "Bank")**

-and-

**SCOLLARD ENERGY INC. ("Scollard", and collectively with the Bank, the "Parties")**

WHEREAS Scollard is, as at December 23, 2015 indebted to the Bank, in the approximate sum of \$21,119,040.00, exclusive of all fees and interest (including, but not limited to, outstanding and accrued professional fees), which fees and interest shall be added thereto (collectively, the "Debt");

AND WHEREAS the Bank holds certain valid security for the Debt upon the assets of Scollard, including a floating charge debenture, a pledge agreement and a general assignment of book debts (collectively with any other security, the "Existing Security");

AND WHEREAS Scollard has requested the Bank to amend certain terms of, and/or provide indulgences with respect to the Offering Letter dated as of August 12, 2015 (as may be further amended from time to time, the "Offer of Financing");

AND WHEREAS, pursuant to an arrangement agreement (the "Arrangement Agreement") among Elcano Exploration Inc. ("Elcano"), Scollard and 1934995 Alberta Ltd. ("Newco"), Scollard and Newco agreed to carry out a reorganization of capital pursuant to which Newco would acquire all of the issued and outstanding shares of Scollard from the shareholders of Scollard in exchange for shares of Newco;

AND WHEREAS following the reorganization of capital described above, Scollard agreed to sell certain of its assets to Newco in accordance with the Asset Conveyance Agreement (as defined in the Arrangement Agreement) (the "Asset Sale") following which Elcano is to acquire all of the issued and



outstanding shares of Scollard for a purchase price of \$2,000,000 (the "Elcano Proceeds") and as further contemplated therein (the "Scollard Share Sale");

AND WHEREAS following the Scollard Share Sale, Newco will change its name to Scollard Energy Ltd. ("New Scollard") (the "Name Change", and with the Arrangement Agreement, Asset Sale, and Existing Scollard Share Sale, collectively the "Elcano Transaction"), which transaction is expected to close on or about December 30, 2015;

AND WHEREAS concurrently with the Elcano Transaction, Scollard, New Scollard, and the Bank will enter into an assignment and novation agreement (the "Assignment and Novation Agreement") whereby all parties thereto will assign and novate the rights, interests, covenants, conditions, obligations and liabilities under or in connection with the Offer of Financing and this Agreement from Scollard to New Scollard and the Existing Security will be discharged and released;

AND WHEREAS concurrently with the Elcano Transaction, New Scollard will enter into certain valid security for the Debt upon the assets of New Scollard, including a floating charge debenture, a pledge agreement and a general assignment of book debts (collectively with any other security as against New Scollard, the "New Security");

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements contained in this First Loan Amending and Extension Agreement (the "Agreement") and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

**ARTICLE I**  
**ACKNOWLEDGEMENTS**

- 1.1 Scollard acknowledges and agrees that:
- (a) the recitals to this Agreement are true and accurate;
  - (b) the Existing Security is valid and enforceable; and
  - (c) except as amended therein or herein, the terms of the Offer of Financing continue as between the Parties and remain in full force and effect.

**LOAN REDUCTION**

1.2 The Bank hereby consents to the Elcano Transaction subject to the terms and conditions set forth herein, provided the Elcano Transaction and the legal documentation implementing same have been reviewed and deemed satisfactory by the Bank and/or its legal counsel (in its or their sole and absolute discretion), prior to the closing of the Elcano Transaction.

1.3 Provided that the closing of the Elcano Transaction occurs, Scollard will direct that the Elcano Proceeds will be applied as follows:

- (a) \$1,500,000 shall be paid to the Bank in partial satisfaction of the Debt (the "Initial Elcano Payment");
- (b) the maximum authorization for Credit Facility "A" shall thereafter be immediately and permanently reduced by \$1,500,000 from a Maximum Amount of \$22,000,000 to \$20,500,000;
- (c) the following amounts, to be taken first from the remaining Elcano Proceeds to the extent any such Elcano Proceeds are available on the dates specified below, shall be paid to the Bank in partial satisfaction of the Debt and each payment shall constitute immediate and permanent reductions of the maximum loan authorization for Credit Facility "A", as follows:
  - (i) \$160,000 to be paid to the Bank by April 30, 2016;
  - (ii) \$90,000 to be paid to the Bank by July 31, 2016; and
  - (iii) \$250,000 to be paid to the Bank by December 21, 2016.

**CONDITIONS PRECEDENT**

1.4 Scollard acknowledges that this Agreement is subject to the following conditions precedent having been satisfied on or before December 30, 2015 by the Bank being provided with satisfactory evidence (in its sole and absolute discretion) thereof:

- (a) this Agreement shall have been fully executed and delivered by Scollard in form and substance satisfactory to the Bank in its sole discretion.

**ARTICLE II**  
**BANK'S RIGHTS**

2.1 It will be an additional Event of Default if Scollard defaults under, or fails to comply with the provisions of, this Agreement and upon such default and in addition to any other rights or remedies of the Bank set forth in the Offer of Financing or otherwise, the Bank may immediately terminate this Agreement and pursue its remedies as it sees fit. Scollard shall provide the Bank with immediate notice of any defaults under, or failure to comply with the provisions of, this Agreement.

**ARTICLE III**  
**SCOLLARD'S COVENANTS**

3.1 Scollard covenants that it shall:

- (a) subject to the closing of the Elcano Transaction, forthwith thereafter have delivered or deliver (as the case may be) to the Bank:
  - (i) executed copies of the documentation evidencing the Elcano Transaction, the Assignment and Novation Agreement, and the New Security, all of which shall have been executed in a substantially similar form to any such documents as provided to the Bank in contemplation of such transaction; and
  - (ii) the Initial Elcano Payment;
- (b) if the Elcano Transaction fails to close, return to the Bank, unused and undistributed in any manner whatsoever, any no interest letters, discharges, or similar documents provided by the Bank to Scollard in contemplation thereof with respect to the Scollard Transaction (including, but not limited to, the Assignment and Novation); and
- (c) no later than January 20, 2016 provide the Bank with a formal plan for reduction of the Debt, including detailed cash flow projections, for the Bank's consideration of renewal conditions.

3.2 Subject to the closing of the Elcano Transaction, Scollard hereby authorizes the Bank to withdraw the Initial Elcano Payment from the Scollard account(s) with the Bank in satisfaction of Scollard's covenants set forth in Section 1.3(a) of this Agreement.

3.3 Subject to the closing of the Elcano Transaction, Scollard shall thereafter keep the Bank informed in a timely manner of any discussions and/or dealings with the Alberta Energy Regulator (the "AER") in connection with the Licensee Liability Rating Program or similar program and, regardless of any agreement reached between the AER and Scollard in connection with any such programs, whether or not such agreement is deemed acceptable to the Bank, the rights or remedies of the Bank set forth in the Offer of Financing or otherwise shall not be affected.

3.4 Upon the occurrence of any Event of Default under or in connection with the Offer of Financing or this Agreement, the Bank will have the option to appoint a financial advisor to act on the Bank's behalf to conduct a preliminary review of Scollard's operations and to report to the Bank on options and alternatives for the repayment of the Debt, all costs of which will be for the sole account of Scollard, and the terms of which will be set out in the financial advisor's engagement letter.

**ARTICLE IV**  
**BANKING ARRANGEMENTS**

**AMENDING FEE**

4.1 Scollard shall pay the Bank an extension fee in the sum of \$10,000.00, which fee is earned immediately and payable on the execution of this Agreement.

**CREDIT FACILITIES**

4.2 Subject to the Bank's ongoing right of demand, a Review shall be scheduled for January 31, 2016.

4.3 The following amendments are made effective to Credit Facility "A":

- (a) Availability by way of BAs is hereby cancelled effective immediately;
- (b) The Pricing Grid shall be amended to remove Prime Rate Loans, BAs (Stamping Fee), and L/C/G Fees therefrom;
- (c) The Interest Rate for Prime Rate Loans shall be the Prime Rate plus 3.5% per annum effective December 1, 2015; and
- (d) The L/C/G Fee shall be 4% per annum of the issue amount.

4.4 Credit Facility "B" is hereby cancelled.

4.5 Availability of the Risk Management Facility to enter into hedging contracts will not be permitted without the Bank's express prior written consent.

**ARTICLE V**  
**MISCELLANEOUS**

**OFFER OF FINANCING**

5.1 Except as expressly set out herein, nothing herein shall affect or amend the terms of the Offer of Financing which remains in full force and effect. Unless otherwise defined herein, capitalized terms shall have the meaning ascribed thereto in the Offer of Financing.

**AMENDMENT**

5.2 This Agreement may only be amended by further written agreement executed and delivered by the Parties. No termination or waiver of any provision of this Agreement is effective unless made in writing and signed by the appropriate Party, and then only in the specific terms provided for therein.

**INVALID IN PART**

5.3 If any one or more of the provisions of this 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 Agreement, shall remain intact and not in any way affected or impaired thereby.

**RELEASE**

5.4 In consideration for entering into this Agreement and other consideration, the receipt and sufficiency of which is hereby acknowledged, Scollard does for itself and its agents, successors and assigns, hereby release the Bank and its directors, officers, employees, agents and assigns from any and all actions, causes of action, claims, damages and demands, of every nature and kind whatsoever in relation to the Offer of Financing or otherwise arising from any action or matter or otherwise existing as at the date of this Agreement.

**HEADINGS NOT PART OF AGREEMENT**

5.5 The headings to the provisions of this Agreement are inserted solely for the convenience of reference, and are not intended to affect the interpretation of the provisions hereof.

**BINDING**

5.6 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators and successors.

**TIME OF THE ESSENCE**

5.7 Time shall be of the essence in this Agreement.

**EXECUTION**

5.8 This 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 or electronic copies of such counterparts shall have the same force and effect as the original copies hereof or thereof, as the case may be. This Agreement is not effective as against the Bank unless and until it is approved by the Bank's credit committee and an executed copy is delivered to Scollard.

**LAWS OF ALBERTA**

5.9 This Agreement is and shall be governed by, and construed in accordance with, the laws of the Province of Alberta, and the Parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

**APPLICATION**

5.10 The singular of any plural and vice versa, and the use of 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.

**LEGAL ADVICE**

5.11 Scollard does hereby confirm that it has retained, consulted and had the benefit of independent legal advice.

**BANK'S COSTS**

5.12 Notwithstanding any other provision of this Agreement, Scollard does hereby agree to pay to the Bank any reasonable solicitor and client costs incurred in the preparation of this Agreement and reviewing the security documents held by the Bank in respect of the Debt, or any portion thereof, and all other legal and other professional fees incurred by the Bank relating to the Scollard loan account and/or banking relationship. These fees may be recovered by the Bank by withdrawal from the Scollard account(s) with the Bank and are hereby agreed by Scollard to form part of the Debt.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed and delivered as of the date first above written.

**NATIONAL BANK OF CANADA**

By:   
Authorized Signatory

By:   
Authorized Signatory

**SCOLLARD ENERGY INC.**

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory



IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed and delivered as of the date first above written.

**NATIONAL BANK OF CANADA**

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory

**SCOLLARD ENERGY INC.**

By:  \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory

[Signature page to First Amending Agreement - National Bank (Scollard) - 2015]



**SECOND LOAN AMENDING AND EXTENSION AGREEMENT**

THIS AGREEMENT effective as of the 9<sup>th</sup> day of March, 2016.

BETWEEN:

**NATIONAL BANK OF CANADA (the "Bank")**

-and-

**SCOLLARD ENERGY LTD. (the "Borrower", and collectively with the Bank, the "Parties")**

WHEREAS the Borrower is, as at March 9, 2016 indebted to the Bank, in the approximate sum of \$19,575,772, exclusive of all fees and interest (including, but not limited to, outstanding and accrued professional fees), which fees and interest shall be added thereto (collectively, the "Debt");

AND WHEREAS the Bank holds certain valid security for the Debt upon the assets of the Borrower, including a floating charge debenture, a pledge agreement and a general assignment of book debts (collectively with any other security, the "Security");

AND WHEREAS the Borrower has requested the Bank to amend certain terms of, and/or provide indulgences with respect to the Offering Letter dated as of August 12, 2016 as amended and extended on December 23, 2015 (as may be further amended from time to time, the "Offer of Financing");

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements contained in this Second Loan Amending and Extension Agreement (the "Agreement") and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

**ARTICLE I**

**ACKNOWLEDGEMENTS**

1.1 The Borrower acknowledges and agrees that

(a) the recitals to this Agreement are true and accurate;

- (b) the Security is valid and enforceable, and
- (c) except as amended therein or herein, the terms of the Offer of Financing continue as between the Parties and remain in full force and effect.

**ARTICLE II**  
**BANK'S RIGHTS**

2.1 Standard default clauses under the Offer of Financing apply, including, but not limited to, the filing of any liens against the assets of the Borrower, and/or the commencement of any material legal proceedings against the Borrower.

2.2 It will be an additional Event of Default if the Borrower defaults under, or fails to comply with the provisions of, this Agreement and upon such default and in addition to any other rights or remedies of the Bank set forth in the Offer of Financing or otherwise, the Bank may immediately terminate this Agreement and pursue its remedies as it sees fit. The Borrower shall provide the Bank with immediate notice of any defaults under, or failure to comply with the provisions of, this Agreement.

**ARTICLE III**  
**BORROWER'S COVENANTS**

3.1 The Borrower covenants that it shall:

- (a) on or before April 1, 2016 transfer the Atlee asset to LLR co. and on or before April 30, 2016 complete the sale of LLR co. as per the plan provided to the Bank dated January 21, 2016 (the "Transaction") with such transaction and legal documentation to be reviewed and deemed satisfactory to the Bank prior to execution and closing of the Transaction;
- (b) on or before April 15, 2016, provide satisfactory evidence of its ability to raise equity in a minimum amount of \$4,500,000 with closing and funding to occur on or before April 30, 2016 (the "Equity Raise"); and
- (c) subject to the Equity Raise, apply 50% of any amounts raised in excess of \$4,500,000 as a permanent reduction of Credit Facility 'A'.

3.2 The Borrower agrees that the Bank has the option to appoint a financial advisor to act on the Bank's behalf to conduct a preliminary review of the Borrower's operations and to report to the Bank on options and alternatives for the repayment of the Debt, all costs of which will be for the sole account of the Borrower, and the terms of which will be set out in the financial advisor's engagement letter.

**ARTICLE IV**  
**BANKING ARRANGEMENTS**

**AMENDING AND EXTENSION FEE**

4.1 The Borrower shall pay the Bank an extension fee in the sum of \$25,000.00, which fee is earned immediately and payable on the execution of this Agreement.

**CREDIT FACILITIES**

4.2 Subject to the Bank's ongoing right of demand, the Offer of Financing shall be extended to February 28, 2017.

4.3 The following amendments are made effective to Credit Facility "A":

- (a) The maximum loan authorization is to be reduced from a Maximum Amount of \$20,500,000 to \$17,750,000 on the earliest of the completion of the Equity Raise or April 30, 2016;
- (b) The following amounts shall be paid to the Bank in partial satisfaction of the Debt and each payment shall constitute immediate and permanent reductions of the maximum loan authorization for Credit Facility "A", as follows:
  - (i) \$100,000 to be paid to the Bank by April 30, 2016;
  - (ii) \$90,000 to be paid to the Bank by July 31, 2016; and
  - (iii) \$250,000 to be paid to the Bank by December 31, 2016.
- (c) In addition to the payments above, commencing December 1, 2016, the Borrower shall pay to the Bank monthly permanent reductions of Credit Facility "A" in the amount of \$150,000.

- (d) The Interest Rate for Prime Rate Loans shall be the Prime Rate plus 4.0% per annum effective as of the date of this Agreement.

**ARTICLE V**  
**MISCELLANEOUS**

**OFFER OF FINANCING**

5.1 Except as expressly set out herein, nothing herein shall affect or amend the terms of the Offer of Financing which remains in full force and effect. Unless otherwise defined herein, capitalized terms shall have the meaning ascribed thereto in the Offer of Financing.

**AMENDMENT**

5.2 This Agreement may only be amended by further written agreement executed and delivered by the Parties. No termination or waiver of any provision of this Agreement is effective unless made in writing and signed by the appropriate Party, and then only in the specific terms provided for therein.

**INVALID IN PART**

5.3 If any one or more of the provisions of this 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 Agreement, shall remain intact and not in any way affected or impaired thereby.

**RELEASE**

5.4 In consideration for entering into this Agreement and other consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower does for itself and its agents, successors and assigns, hereby release the Bank and its directors, officers, employees, agents and assigns from any and all actions, causes of action, claims, damages and demands, of every nature and kind whatsoever in relation to the Offer of Financing or otherwise arising from any action or matter or otherwise existing as at the date of this Agreement.

**HEADINGS NOT PART OF AGREEMENT**

5.6 The headings to the provisions of this Agreement are inserted solely for the convenience of reference, and are not intended to affect the interpretation of the provisions hereof.

#### **BINDING**

5.6 This Agreement shall enture to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators and successors.

#### **TIME OF THE ESSENCE**

5.7 Time shall be of the essence in this Agreement.

#### **EXECUTION**

5.8 This 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 or electronic copies of such counterparts shall have the same force and effect as the original copies hereof or thereof, as the case may be. This Agreement is not effective as against the Bank unless and until it is approved by the Bank's credit committee and an executed copy is delivered to the Borrower.

#### **LAWS OF ALBERTA**

5.9 This Agreement is and shall be governed by, and construed in accordance with, the laws of the Province of Alberta, and the Parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

#### **APPLICATION**

5.10 The singular of any plural and vice versa, and the use of 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.

#### **LEGAL ADVICE**

5.11 The Borrower does hereby confirm that it has retained, consulted and had the benefit of independent legal advice.



**BANK'S COSTS**

5.12 Notwithstanding any other provision of this Agreement, the Borrower does hereby agree to pay to the Bank any reasonable solicitor and client costs incurred in the preparation of this Agreement and reviewing the security documents held by the Bank in respect of the Debt, or any portion thereof, and all other legal and other professional fees incurred by the Bank relating to the Borrower's loan account and/or banking relationship. These fees may be recovered by the Bank by withdrawal from the Borrower's account(s) with the Bank and are hereby agreed by the Borrower to form part of the Debt.

*[remainder of page intentionally left blank]*



IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed and delivered as of the date first above written.

NATIONAL BANK OF CANADA

Sonia de Lorenzi  
Senior Manager

By:   
Authorized Signatory

By:   
Authorized Signatory

SCOLLARD ENERGY LTD.

 Karen Koury  
Senior Manager

By:   
Authorized Signatory

By:   
Authorized Signatory

2010年10月  
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**THIRD LOAN AMENDING AND EXTENSION AGREEMENT**

THIS AGREEMENT effective as of the 14<sup>th</sup> day of June, 2016.

BETWEEN:

**NATIONAL BANK OF CANADA (the "Bank")**

-and-

**SCOLLARD ENERGY LTD. (the "Borrower", and collectively with the Bank, the "Parties")**

WHEREAS the Borrower is, as at June 14, 2016 indebted to the Bank, in the approximate sum of \$20,222,200, exclusive of all fees and interest (including, but not limited to, outstanding and accrued professional fees), which fees and interest shall be added thereto (collectively, the "Debt");

AND WHEREAS the Bank holds certain valid security for the Debt upon the assets of the Borrower, including a floating charge debenture, a pledge agreement and a general assignment of book debts (collectively with any other security, the "Security");

AND WHEREAS the Borrower has requested the Bank to amend certain terms of, and/or provide indulgences with respect to the Offering Letter dated as of August 12, 2015 as amended and extended by a first loan amending and extension agreement dated December 23, 2015 and a second loan amending and extension agreement dated March 9, 2016 (as may be further amended from time to time, the "Offer of Financing");

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements contained in this Third Loan Amending and Extension Agreement (the "Agreement") and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

**ARTICLE I**  
**ACKNOWLEDGEMENTS**

- 1.1 The Borrower acknowledges and agrees that:
- (a) the recitals to this Agreement are true and accurate;
  - (b) the Security is valid and enforceable; and
  - (c) except as amended therein or herein, the terms of the Offer of Financing continue as between the Parties and remain in full force and effect.

**ARTICLE II**  
**BANK'S RIGHTS**

2.1 Standard default clauses under the Offer of Financing apply, including, but not limited to, the filing of any liens against the assets of the Borrower, and/or the commencement of any material legal proceedings against the Borrower.

2.2 It will be an additional Event of Default if the Borrower defaults under, or fails to comply with the provisions of, this Agreement and upon such default and in addition to any other rights or remedies of the Bank set forth in the Offer of Financing or otherwise, the Bank may immediately terminate this Agreement and pursue its remedies as it sees fit. The Borrower shall provide the Bank with immediate notice of any defaults under, or failure to comply with the provisions of, this Agreement.

**ARTICLE III**  
**BORROWER'S COVENANTS**

- 3.1 The Borrower covenants that it shall:
- (a) on or before June 15, 2016, provide satisfactory evidence of its ability to raise equity in a minimum amount of \$3,000,000 with closing and funding to occur on or before June 30, 2016 (the "June Equity Raise");
  - ~~(b) on or before November 15, 2016, provide satisfactory evidence of its ability to raise equity in a minimum amount of \$500,000 with closing and funding to occur on or before~~

December 1, 2016 (together with the June Equity Raise, collectively, the "Equity Raises"); and

- (c) apply 50% of any amounts raised pursuant to the Equity Raises in excess of \$3,500,000, in aggregate, as a permanent reduction of Credit Facility "A", unless otherwise agreed to in writing by the Parties.

3.2 The Borrower agrees that the Bank has the option to appoint a financial advisor to act on the Bank's behalf to conduct a preliminary review of the Borrower's operations and to report to the Bank on options and alternatives for the repayment of the Debt, all costs of which will be for the sole account of the Borrower, and the terms of which will be set out in the financial advisor's engagement letter.

#### **ARTICLE IV** **BANKING ARRANGEMENTS**

##### **CREDIT FACILITIES**

4.1 Subject to the Bank's ongoing right of demand, the Offer of Financing shall be extended to June 1, 2017.

4.2 The following amendments are made effective to Credit Facility "A":

- (a) The following amounts shall be deposited into the Borrower's account held with the Bank and to be applied to Credit Facility "A", as follows:
  - (i) \$3,000,000 on the earliest of the completion of the June Equity Raise or June 30, 2016; and
  - (ii) \$500,000 by December 1, 2016.
- (b) The maximum loan authorization for Credit Facility "A" is to be permanently reduced from \$20,500,000 to \$18,340,000 on the earliest of the completion of the June Equity Raise or June 30, 2016.
- ~~(c) In addition to the payments above, commencing December 1, 2016, the Borrower shall pay to the Bank monthly permanent reductions of the maximum loan authorization for Credit Facility "A" in the amount of \$50,000.~~

- (d) The Interest Rate for Prime Rate Loans shall be the Prime Rate plus 1.5% per annum effective as of the date of this Agreement.

**ARTICLE V**  
**MISCELLANEOUS**

**OFFER OF FINANCING**

5.1 Except as expressly set out herein, nothing herein shall affect or amend the terms of the Offer of Financing which remains in full force and effect. Unless otherwise defined herein, capitalized terms shall have the meaning ascribed thereto in the Offer of Financing.

**AMENDMENT**

5.2 This Agreement may only be amended by further written agreement executed and delivered by the Parties. No termination or waiver of any provision of this Agreement is effective unless made in writing and signed by the appropriate Party, and then only in the specific terms provided for therein.

**INVALID IN PART**

5.3 If any one or more of the provisions of this 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 Agreement, shall remain intact and not in any way affected or impaired thereby.

**RELEASE**

5.4 In consideration for entering into this Agreement and other consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower does for itself and its agents, successors and assigns, hereby release the Bank and its directors, officers, employees, agents and assigns from any and all actions, causes of action, claims, damages and demands, of every nature and kind whatsoever in relation to the Offer of Financing or otherwise arising from any action or matter or otherwise existing as at the date of this Agreement.

**HEADINGS NOT PART OF AGREEMENT**

5.5 The headings to the provisions of this Agreement are inserted solely for the convenience of reference, and are not intended to affect the interpretation of the provisions hereof.

**BINDING**

5.6 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators and successors.

**TIME OF THE ESSENCE**

5.7 Time shall be of the essence in this Agreement.

**EXECUTION**

5.8 This 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 or electronic copies of such counterparts shall have the same force and effect as the original copies hereof or thereof, as the case may be. This Agreement is not effective as against the Bank unless and until it is approved by the Bank's credit committee and an executed copy is delivered to the Borrower.

**LAWS OF ALBERTA**

5.9 This Agreement is and shall be governed by, and construed in accordance with, the laws of the Province of Alberta, and the Parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

**APPLICATION**

5.10 The singular of any plural and vice versa, and the use of 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.



**LEGAL ADVICE**

5.11 The Borrower does hereby confirm that it has retained, consulted and had the benefit of independent legal advice.


**BANK'S COSTS**

5.12 Notwithstanding any other provision of this Agreement, the Borrower does hereby agree to pay to the Bank any reasonable solicitor and client costs incurred in the preparation of this Agreement and reviewing the security documents held by the Bank in respect of the Debt, or any portion thereof, and all other legal and other professional fees incurred by the Bank relating to the Borrower's loan account and/or banking relationship. These fees may be recovered by the Bank by withdrawal from the Borrower's account(s) with the Bank and are hereby agreed by the Borrower to form part of the Debt.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed and delivered as of the date first above written.

**NATIONAL BANK OF CANADA**

By:   
Authorized Signatory

By:   
Authorized Signatory

**SCOLLARD ENERGY LTD.**

By:   
Authorized Signatory

By:   
Authorized Signatory



**FOURTH LOAN AMENDING AND EXTENSION AGREEMENT**

**THIS AGREEMENT effective as of the 1<sup>st</sup> day of June, 2017.**

**BETWEEN:**

**NATIONAL BANK OF CANADA (the "Bank")**

**-and-**

**SCOLLARD ENERGY LTD. (the "Borrower", and collectively with the Bank, the "Parties")**

**WHEREAS the Borrower is, as at June 1, 2017 indebted to the Bank, in the approximate principal sum of \$16,712,200, exclusive of all fees and interest (including, but not limited to, outstanding and accrued professional fees), which fees and interest shall be added thereto (collectively, the "Debt");**

**AND WHEREAS the Bank holds certain valid security for the Debt upon the assets of the Borrower, including a floating charge debenture, a pledge agreement and a general assignment of book debts (collectively with any other security, the "Security");**

**AND WHEREAS the Borrower has requested the Bank to amend certain terms of, and/or provide indulgences with respect to the Offering Letter dated as of August 12, 2015 as amended and extended by a first loan amending and extension agreement dated December 23, 2015 and a second loan amending and extension agreement dated March 9, 2016 and a third loan amending and extension agreement dated June 14, 2016 (as may be further amended from time to time, the "Offer of Financing");**

**NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements contained in this Fourth Loan Amending and Extension Agreement (the "Agreement") and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged, THE PARTIES COVENANT AND AGREE AS FOLLOWS:**

**ARTICLE I**  
**ACKNOWLEDGEMENTS**

- 1.1 The Borrower acknowledges and agrees that:
- (a) the recitals to this Agreement are true and accurate;
  - (b) the Security is valid and enforceable;
  - (c) the Offer of Financing is, and remains, a demand facility subject to demand at the option of the Bank; and
  - (d) except as amended therein or herein, the terms of the Offer of Financing continue as between the Parties and remain in full force and effect.

**ARTICLE II**  
**BANK'S RIGHTS**

2.1 Standard default clauses under the Offer of Financing apply, including, but not limited to, the filing of any liens against the assets of the Borrower, and/or the commencement of any material legal proceedings against the Borrower.

2.2 It will be an additional Event of Default if the Borrower defaults under, or fails to comply with the provisions of, this Agreement and upon such default and in addition to any other rights or remedies of the Bank set forth in the Offer of Financing or otherwise, the Bank may immediately terminate this Agreement and pursue its remedies as it sees fit. The Borrower shall provide the Bank with immediate notice of any defaults under, or failure to comply with the provisions of, this Agreement.

**ARTICLE III**  
**BORROWER'S COVENANTS**

- 3.1 The Borrower covenants that it shall:
- (a) continue with its sale and investment solicitation ("SISP") process with GMP Securities L.P. as its sales advisor;
  - (b) provide bi-weekly updates to the Bank with respect to the SISP; and

- (c) continue with, and continue to co-operate with FTI Consulting Canada Inc. in its May 8, 2017 advisory engagement with the Bank's counsel.

**ARTICLE IV**  
**BANKING ARRANGEMENTS**

**CREDIT FACILITIES**

4.1 Subject to the Bank's ongoing right of demand, the Offer of Financing shall be extended to November 1, 2017.

4.2 The Borrower shall pay the Bank an extension fee in the sum of \$14,750 which fee is earned immediately and payable by way of an automatic debit to the Borrower's account with the Bank on the delivery of an executed copy of this Agreement.

4.3 The Borrower shall pay to the Bank monthly permanent reductions of the maximum loan authorization for Credit Facility "A" in the amount of \$100,000 per month commencing June 1, 2017.

**ARTICLE V**  
**MISCELLANEOUS**

**OFFER OF FINANCING**

5.1 Except as expressly set out herein, nothing herein shall affect or amend the terms of the Offer of Financing which remains in full force and effect. Unless otherwise defined herein, capitalized terms shall have the meaning ascribed thereto in the Offer of Financing.

**AMENDMENT**

5.2 This Agreement may only be amended by further written agreement executed and delivered by the Parties. No termination or waiver of any provision of this Agreement is effective unless made in writing and signed by the appropriate Party, and then only in the specific terms provided for therein.

**INVALID IN PART**

5.3 If any one or more of the provisions of this 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 Agreement, shall remain intact and not in any way affected or impaired thereby.

#### **RELEASE**

5.4 In consideration for entering into this Agreement and other consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower does for itself and its agents, successors and assigns, hereby release the Bank and its directors, officers, employees, agents and assigns from any and all actions, causes of action, claims, damages and demands, of every nature and kind whatsoever in relation to the Offer of Financing or otherwise arising from any action or matter or otherwise existing as at the date of this Agreement.

#### **HEADINGS NOT PART OF AGREEMENT**

5.5 The headings to the provisions of this Agreement are inserted solely for the convenience of reference, and are not intended to affect the interpretation of the provisions hereof.

#### **BINDING**

5.6 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators and successors.

#### **TIME OF THE ESSENCE**

5.7 Time shall be of the essence in this Agreement.

#### **EXECUTION**

5.8 This 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 or electronic copies of such counterparts shall have the same force and effect as the original copies hereof or thereof, as the case may be. This Agreement is not effective as against the Bank unless and until it is approved by the Bank's credit committee and an executed copy is delivered to the Borrower.

**LAWS OF ALBERTA**

5.9 This Agreement is and shall be governed by, and construed in accordance with, the laws of the Province of Alberta, and the Parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

**APPLICATION**

5.10 The singular of any plural and vice versa, and the use of 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.

**LEGAL ADVICE**

5.11 The Borrower does hereby confirm that it has retained, consulted and had the benefit of independent legal advice.

**BANK'S COSTS**

5.12 Notwithstanding any other provision of this Agreement, the Borrower does hereby agree to pay to the Bank any reasonable solicitor and client costs incurred in the preparation of this Agreement and reviewing the security documents held by the Bank in respect of the Debt, or any portion thereof, and all other legal and other professional fees incurred by the Bank relating to the Borrower's loan account and/or banking relationship. These fees may be recovered by the Bank by withdrawal from the Borrower's account(s) with the Bank and are hereby agreed by the Borrower to form part of the Debt.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed and delivered as of the date first above written.

**NATIONAL BANK OF CANADA**

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory

**SCOLLARD ENERGY LTD.**

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory



# Exhibit "B"

## GENERAL ASSIGNMENT OF BOOK DEBTS

1. FOR VALUABLE CONSIDERATION, receipt whereof is hereby acknowledged, the undersigned Debtor **SCOLLARD ENERGY INC.** of Suite 1566, 540 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0M2, 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 2700, 530 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3S8, (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, Securities 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 a 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, whosoever 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.
5. 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, whether before or after default, 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 Securities 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 to the Bank seems 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, Securities 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.

10530-002 (06-97) (All Provinces except Quebec)

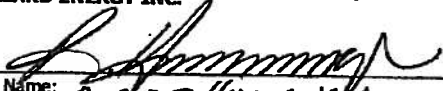
THIS IS EXHIBIT " B " referred to in the Affidavit of  
Karen Kauri  
Sworn before me this 30  
Day of August, A.D. 2017  
[Signature]  
A NOTARY PUBLIC FOR THE  
PROVINCE OF Ontario

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 of 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 agreement. 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 jurisdiction where it has been executed by the undersigned, as the same may from time to time be in effect, including, where applicable, the Personal Property Security Act.
18. The undersigned hereby acknowledges receiving a copy of this assignment and waives all rights to receive from the Bank a copy of any financing statement, financing change statement or verification statement filed or issued at any time in respect of this assignment.
19. **NAME, ETC. OF DEBTOR**  
The full, true and correct legal name and address of Debtor and, where applicable, birth date and sex of Debtor is hereby declared by Debtor to be as follows:

<b>BUSINESS DEBTOR</b>			
NAME OF BUSINESS DEBTOR			
SCOLLARD ENERGY INC.			
ADDRESS OF BUSINESS DEBTOR		CITY	PROVINCE
F20 Suite 4590, 540 - 5 <sup>th</sup> Avenue S.W.		Calgary	Alberta
		POSTAL CODE	T   2   P   0   M   2

IN WITNESS WHEREOF, the undersigned Debtor has executed this Assignment this 14 day of July, 2009.

**SCOLLARD ENERGY INC.**

Per:   
Name: ROBERT HEMMING  
Title: CONTROLLER & CFO

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

# Exhibit "C"

THIS IS EXHIBIT " C " referred to in the Affidavit of  
.....Karen Kaur.....  
Sworn before me this 30  
Day of August, A.D. 2017  
.....  
A NOTARY PUBLIC FOR THE  
PROVINCE OF Ontario

**SCOLLARD ENERGY INC.**

(Incorporated under the laws of Alberta)

**FLOATING CHARGE DEBENTURE**

1. **SCOLLARD ENERGY INC.**, a body corporate having its head office at the City of Calgary, in the Province of Alberta (hereinafter called the "Corporation"), for value received hereby acknowledges itself indebted and promises to pay to **NATIONAL BANK OF CANADA** (who and whose successors and assigns are hereinafter called the "Lender"), on demand or on such earlier date as the principal sum hereby secured may become payable hereunder, the sum of **SEVENTY FIVE MILLION DOLLARS (\$75,000,000.00)**, or such amount thereof as is outstanding, from time to time, in lawful money of Canada (hereinafter called the "principal sum") at National Bank of Canada, 2700, 530 - 8<sup>th</sup> Avenue S.W., at the City of Calgary, in the Province of Alberta, Canada, T2P 3S8, and to pay on demand in the same money and at the same place interest on the principal sum or on so much thereof as remains from time to time unpaid at the rate of two per cent (2.0%) per annum more than the annual rate of interest announced from time to time by National Bank of Canada as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada, reckoned from the date or dates the principal sum or any part thereof is due and payable. Any sum owing by way of interest that is not paid on demand shall bear interest at such rate from the date of demand until paid.
2. The Corporation, as security for the payment of the principal sum, interest and all other monies from time to time secured hereby and as security for the performance and observance of the covenants and agreements on the part of the Corporation herein contained, hereby:
  - (a) grants, mortgages, charges, assigns and transfers to the Lender, as and by way of a first floating charge, all property, assets and undertaking of the Corporation; and
  - (b) grants a security interest to the Lender in all present and after-acquired personal property of the Corporation,

(all of which are hereinafter collectively called the "mortgaged premises"). The Lender acknowledges that the mortgaged premises are subject to the permitted encumbrances more particularly described in Schedule "A" attached hereto (the "Permitted Encumbrances").

Until the security hereby constituted shall have become enforceable and the Lender shall have determined to enforce the same (and except as hereinafter provided), the Corporation may, in the ordinary course of the business of the Corporation and for the purpose of carrying on the same, sell, assign, lease, dispose of and deal with the mortgaged premises; **PROVIDED THAT** the Corporation shall not, and the Corporation hereby covenants that it will not, without the prior written consent of the Lender, make, give, create, grant, incur or assume any mortgage, pledge, hypothec, lien, charge, encumbrance, assignment, security interest or other security, upon the mortgaged premises or any part thereof, other than the Permitted Encumbrances, ranking or purporting to rank in priority to or *pari passu* with the grant, mortgage, charge, assignment, transfer and security interest created and secured hereby (hereinafter referred to as the "Charge").

**TO HAVE AND TO HOLD** the mortgaged premises and rights hereby conferred on the Lender for the use and purposes and with the power and authority and subject to the terms, conditions, provisos, covenants and stipulations herein expressed.

The Charge shall not extend or apply to the last day of the term of any lease, whether oral or written, now held or hereafter acquired by the Corporation but should such Charge become enforceable and the Lender shall have determined to enforce the same, the Corporation shall thereafter stand possessed of such last day and shall hold it in trust to assign the same to any person who may acquire such term or the part thereof hereby charged in the course of any enforcement of the said Charge or any realization of the subject matter thereof.

3. The Corporation covenants and agrees with the Lender:
- (a) that the Corporation will perform and observe such affirmative and negative covenants and restrictions as specified, from time to time, by the Lender in writing to be performed and observed by the Corporation in respect of the terms, conditions, covenants and provisions of the offer to finance from the Lender to the Corporation dated June 30, 2009, as amended, modified, supplemented, restated or replaced, from time to time (the "Offer to Finance");
  - (b) that the Corporation has good right, full power and lawful authority to charge the mortgaged premises according to the true intent and meaning of this Debenture;
  - (c) that the mortgaged premises are free and clear of all mortgages, liens, charges, encumbrances and security interests other than (i) the Charge, (ii) the Permitted Encumbrances, and (iii) any mortgage, lien, charge, encumbrance or security interest which is specifically permitted by the Lender pursuant to an instrument in writing executed by the Lender and addressed to the Corporation, which instrument shall refer to this Debenture and describe any such mortgage, lien, charge, encumbrance or security interest so permitted by the Lender;
  - (d) to pay the principal sum, interest and other monies hereby secured in accordance with the terms of this Debenture;
  - (e) to carry on and continuously conduct its business in a lawful, efficient, diligent and businesslike manner;
  - (f) to warrant and forever defend all and singular the mortgaged premises unto the Lender against every person whomsoever lawfully claiming or attempting to claim the same or any part thereof;
  - (g) to keep and maintain proper books of account and records accurately covering all aspects of the business and affairs of the Corporation and to permit authorized officers, employees or agents of the Lender to inspect the same during regular business hours;
  - (h) to furnish such financial statements of the Corporation containing such information and details as the Lender may require pursuant to the Offer to Finance;
  - (i) to repair and keep in repair and in good working order and condition all buildings, structures, plant, machinery and apparatus that from time to time comprise and form a part of the mortgaged premises;
  - (j) to promptly pay when due all business, income and profits taxes properly levied or assessed against the Corporation, its business, operations, revenues, incomes or profits, save and except when and so long as the validity of any such tax is in good faith

contested by the Corporation, in which event the Corporation shall, if required by the Lender, furnish security satisfactory to it for the full amount of any of such taxes being so contested;

- (k) to fully pay and discharge as and when the same become due and payable all taxes (including local improvement rates), rates, duties and assessments that may be levied, rated, charged or assessed against the mortgaged premises, or any part thereof, and if the Corporation fails to pay any of such taxes, rates, duties or assessments and if it is not in good faith contesting the same, the Lender may, but shall not be obligated to, pay the same, and any amounts so paid by the Lender shall become and form part of the principal sum secured hereby and shall bear interest at the rate aforesaid until paid; and
- (l) to at all times promptly observe, perform, execute and comply with all applicable laws, rules, requirements, orders, directions, by-laws, ordinances, work orders and regulations of every governmental authority and agency whether federal, provincial, municipal or otherwise, including, without limiting the generality of the foregoing, those dealing with zoning, use, occupancy, subdivision, parking, historical designations, fire, access, pollution of the environment, toxic materials or other environmental hazards, public health and safety, and all private covenants and restrictions affecting the mortgaged premises or any portion thereof, and from time to time, upon request of the Lender, to provide to the Lender evidence of such observance and compliance, and at its own expense to make any and all improvements thereon or alterations to the mortgaged premises, structural or otherwise, and to take all such other action as may be required at any time by any such present or future law, rule, requirement, order, direction, by-law, ordinance, work order or regulation.

- 4.
- (a) The Corporation covenants that at all times during the continuation of this security, it will insure and keep insured against all reasonably insurable hazards with insurers acceptable to the Lender, all of the mortgaged premises which is of an insurable nature to the full extent of the insurable value thereof. Unless otherwise agreed to in writing by the Lender, the losses under all such insurance shall be payable firstly to the Lender as its interest may appear.
  - (b) The Corporation agrees that so long as it remains indebted to the Lender, it will, unless otherwise requested in writing by the Lender, maintain with reputable insurers third party public liability and property damage insurance covering all operations of the Corporation within limits of coverage usually carried by others owning or operating the same or a similar type and size of business as that being conducted by the Corporation.
  - (c) The Corporation will, upon the request of the Lender, deliver to the Lender certified copies of all policies or contracts of insurance being carried by the Corporation pursuant to the terms hereof, together with such certificates of insurance as the Lender may reasonably require and evidence that the premiums on all such insurance have been paid.
  - (d) If the Corporation should fail to take out or maintain all the insurance required to be carried by the Corporation pursuant to the terms of this Debenture, the Lender may, but shall not be obligated to, take out all or any of such insurance and all sums expended by the Lender in effecting such insurance shall forthwith become due and be payable by the Corporation to the Lender and until paid shall form part of the principal sum secured hereby and shall bear interest at the aforesaid rate.

- (e) In the event of loss under any of the insurance referred to in this clause 4, the Lender, at its option, may apply the insurance proceeds on account of the principal sum and interest secured hereby or may apply the same to rebuilding, repairing and restoring the mortgaged premises, or may apply the same partly for one purpose and partly for the other purpose.
5. The Corporation shall not and covenants that it will not, without the written consent of the Lender first had and received:
- (a) create or suffer to be created any mortgage, hypothec, lien, charge, encumbrance or security interest upon its undertaking or any of its property and assets the subject of the Charge ranking in priority to or *pari passu* with the Charge save and except for the Permitted Encumbrances or any other security granted from time to time by the Corporation to the Lender for or in respect of any present or future indebtedness of the Corporation to the Lender; nor
  - (b) create, incur or assume any funded indebtedness which, for the purpose of this Debenture means any indebtedness the principal amount of which is not payable on demand and matures more than twelve (12) months after it is created, incurred or assumed by the Corporation, except for the Permitted Encumbrances; nor
  - (c) guarantee to anyone other than to the Lender, the debts, liabilities or obligations of any person, firm or corporation whomsoever or become the endorser on any note or other obligation other than in the ordinary course of the business of the Corporation; nor
  - (d) reduce its capital, declare or pay any dividends on any shares of the Corporation or make any distribution otherwise than out of the surplus of its assets, or redeem, purchase or otherwise retire or pay off any of the issued and outstanding shares for the time being of the Corporation; nor
  - (e) lend money to its shareholders, directors or others, except in the ordinary course of the business of the Corporation; nor
  - (f) make any capital expenditures when it is in default under this Debenture.
6. The Corporation represents and warrants to the Lender that each account receivable and other debt due, owing or accruing due to the Corporation is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"), and the amount represented by the Corporation to the Lender from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable, and no Account Debtor will have any defence, set off, claim or counterclaim against the Corporation which can be asserted against the Lender, whether in any proceeding to enforce this Debenture or otherwise, and the Corporation will, at the request of the Lender, furnish the Lender with the names of all Account Debtors. After the occurrence of an event of default hereunder, the Lender may notify any or all Account Debtors and may direct such parties to make all payments to the Lender. The Corporation acknowledges that any such payments on or other proceeds of the mortgaged premises received by the Corporation from such Account Debtors after notification of the Charge to such parties or after default under this Debenture shall be received and held by the Corporation in trust for the Lender and shall be turned over to the Lender upon request. Nothing contained in this clause 6 shall or shall be deemed to have the effect of making the Lender responsible to



ascertain the Account Debtors or for the collection of any such accounts or amounts nor shall the Lender, by reason of this clause 6 or by reason of any steps, actions, notices or other proceedings, taken or given to enforce such rights be or be deemed to be a mortgagee in possession of the mortgaged premises or any part thereof nor be liable or accountable for any monies except those actually received.

7. The Corporation will 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 Lender shall reasonably require for better assuring, mortgaging, assigning and confirming unto the Lender all and singular the undertaking and all of the property and assets of the Corporation hereby charged or intended so to be or which the Corporation may hereafter become bound to charge to and in favour of the Lender and for the better accomplishing and effectuating of the intentions of this Debenture.
8. Without limiting in any way the right of the Lender to make demand for payment at any time, the principal, interest and other monies secured by this Debenture shall become immediately due and payable, whether with or without prior demand therefor, and the security hereby constituted shall become immediately enforceable in each and every of the following events (each of such events being hereinafter called an "event of default"):
  - (a) if the Corporation makes a default in the payment, in whole or in part, of the principal sum of or interest on this Debenture or any other monies secured hereby; or
  - (b) if the Corporation makes default in the observance or performance of any other covenant, agreement or condition on the part of the Corporation to be kept, observed or performed, whether herein or in any other agreement or instrument between the Corporation and the Lender; or
  - (c) if an order is made or an effective resolution is passed for the winding-up of the Corporation, or if a petition is filed for the winding-up of the Corporation; or
  - (d) if the Corporation becomes insolvent, or makes an unauthorized assignment or bulk sale of its assets, or if a petition in bankruptcy is filed or presented against the Corporation; or
  - (e) if any proceeding with respect to the Corporation is commenced under the *Companies' Creditors Arrangements Act* or the *Bankruptcy and Insolvency Act*; or
  - (f) if any execution, sequestration, writ of extent or any other process of any court becomes enforceable against the Corporation, or if a distress or analogous process is levied upon the property of the Corporation or any part thereof, provided that such execution, sequestration, writ of extent or other process is not in good faith being contested by the Corporation; or
  - (g) if the Corporation ceases or threatens to cease to carry on its business or if the Corporation commits or threatens to commit any act of bankruptcy; or
  - (h) if the Corporation shall permit any sum which has been admitted as due by the Corporation or is not disputed to be due by it and which forms or is capable of being made a charge upon any of the mortgaged premises in priority to or *pari passu* with the Charge to remain unpaid for thirty (30) days after proceedings have been taken to enforce

the same as a charge upon the mortgaged premises ranking in priority to or *pari passu* with the Charge; or

- (i) if the Corporation makes default in the due payment, performance or observance, in whole or in part, of any debt, liability or obligation of the Corporation to the Lender, whether secured hereby or otherwise; or
  - (j) if there shall, in the opinion of the Lender, be a material adverse change in the financial condition of the Corporation acting reasonably.
9. The Lender may waive any breach by the Corporation of any of the provisions contained in this Debenture or any default by the Corporation in the observance or performance of any covenant, agreement or condition required to be kept, observed or performed by the Corporation under the terms of this Debenture; **PROVIDED ALWAYS** that no act or omission of the Lender in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default or to affect the rights of the Lender resulting therefrom.
10. (a) If an event of default shall have occurred and be continuing, the Lender may, in its discretion, appoint a receiver (which term shall herein include a receiver and manager) of the mortgaged premises, of the rents, issues, profits, revenues and income thereof or of any part or parts of any of the foregoing, and upon any such appointment by the Lender the following provisions shall apply:
- (i) the appointment of any receiver by the Lender hereunder shall be made in writing signed by the Lender and such writing shall be conclusive evidence for all purposes of such appointment. The Lender may from time to time in the same manner remove any receiver so appointed and appoint another in his stead. Notwithstanding anything to the contrary hereby expressed or implied, in making any such appointment of a receiver hereunder, the Lender shall be deemed to be acting as the attorney for the Corporation and the Corporation does hereby irrevocably appoint the Lender as its attorney for that purpose;
  - (ii) the Lender, in its discretion, may appoint one or more receivers hereunder in respect of all or any part or parts of the mortgaged premises, as may be designated in writing by the Lender when making any such appointment;
  - (iii) any such receiver shall have the power:
    - (A) to take possession of, collect and to get in all or any part of the mortgaged premises and for that purpose to take proceedings in the name of the Corporation or otherwise and to make any arrangement or compromise;
    - (B) to carry on or concur in carrying on all or any part of the business of the Corporation; and
    - (C) to sell or to concur in selling all or any part of the mortgaged premises in such manner as may seem advisable to the receiver, and to effect such sale by conveying the same in the name and on behalf of the Corporation or otherwise in respect thereof;

- (iv) every such receiver may, in the discretion of the Lender, be vested with all or any of the powers and discretions conferred on the Lender under this Debenture;
  - (v) the Lender may from time to time fix the reasonable remuneration of every such receiver and may direct the payment thereof (in priority to the Lender), out of the mortgaged premises and the rents, profits, revenues and income therefrom or the proceeds thereof;
  - (vi) the Lender may from time to time require any receiver to give security for the performance of his duties as such receiver and may fix the nature and amount thereof, but the Lender shall not be bound to require any such security from the receiver;
  - (vii) every such receiver may, with the consent in writing of the Lender, borrow money for the purpose of maintaining, protecting or preserving the mortgaged premises or any part thereof, or for the purpose of carrying on the business of the Corporation, and any receiver may issue certificates (in this sub clause called "receiver's certificates") for such sums as will, in the opinion of the Lender, be sufficient for obtaining security upon the mortgaged premises or any part thereof for the amounts from time to time so required by the receiver, and such receiver's certificates may be payable either to order or to bearer and may be payable at such time or times, and shall bear such interest as the Lender may approve and the receiver may sell, pledge or otherwise dispose of the receiver's certificates in such manner and may pay such commission on the sale thereof, as the Lender may consider reasonable, and the amounts from time to time payable by virtue of such receiver's certificates shall form a charge upon the mortgaged premises in priority to the amounts secured under this Debenture;
  - (viii) every such receiver shall, so far as concerns responsibility for his acts or omissions, be deemed to be the agent for the Corporation, and in no event the agent of the Lender. The Lender shall not, in making or consenting to such appointment, incur any liability to any receiver for his remuneration or otherwise howsoever be liable or responsible for the acts or omissions, including the negligence, misconduct or misfeasance, on the part of any such receiver;
  - (ix) except as may be otherwise directed in writing by the Lender, all monies from time to time received by such receiver shall be paid over to the Lender to be held by it as part of the mortgaged premises; and
  - (x) the Lender may pay over to any receiver any monies constituting part of the mortgaged premises to the extent that the same may be applied for the purposes hereof by such receiver, and the Lender may from time to time determine what funds the receiver shall be at liberty to keep on hand with a view to the performance of his duties hereunder as such receiver.
- (b) If an event of default shall have occurred and be continuing, the Lender may in its discretion, in lieu of appointing a receiver as provided for in subclause 10(a) hereof, apply to any court or courts of competent jurisdiction for the appointment of one or more receivers of the mortgaged premises, of the rents, issues, profits, revenues and income thereof or of any part or parts of any of the foregoing, with such powers as the court or courts making such appointment or appointments shall confer including, without limiting

the generality thereof, all or any of the powers set forth in subclause 10(a) hereof. Any receiver or receivers so appointed by a court, shall be subject to the supervision of that court.

- (c) Nothing done by the Lender or by any receiver or receivers in possession of the mortgaged premises shall render the Lender a mortgagee in possession or responsible as such, or in any way limit or curtail the remedies of the Lender as a mortgagee or creditor under any applicable law or statute.
11. If the security hereby constituted shall become enforceable, the Lender may, subject to applicable law, either before or after any entry, sell and dispose of all or any part of the mortgaged premises either as a whole or in several portions thereof, at public auction or by public tender or by private sale at such time or times and on or subject to such terms and conditions as the Lender may determine, and it shall be lawful for the Lender to make such sale, either for cash or upon credit or partly for cash and partly upon credit, and with or without advertisement, and upon such reasonable conditions as to upset, reserve bid or price and as to terms of payment as the Lender may deem proper, and the Lender may also rescind or vary any contract of sale that may have been entered into and resell with or under any of the powers conferred hereunder and adjourn any such sale from time to time and may execute and deliver to the purchaser or purchasers of the mortgaged premises or any part thereof good and sufficient title to the same, the Lender being hereby constituted irrevocably the attorney of the Corporation for the purpose of making such sale and for executing all deeds and documents pertaining thereto and any such sale made as aforesaid shall be a perpetual bar both in law and in equity against the Corporation and all other persons claiming such property or any part thereof, by, from, through or under the Corporation.
  12. The Corporation acknowledges that if a stay of proceedings is issued against the Corporation pursuant to the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangements Act* or otherwise, the Lender would be irreparably harmed and materially prejudiced if any proceeds of the mortgaged premises were used for any purpose other than the repayment of the debts secured by this Debenture, and the Corporation hereby acknowledges and agrees that, without limiting the operation of clause 6 hereof, any proceeds of the mortgaged premises received by the Corporation while such stay is in effect shall be received by and held by the Corporation in trust for the Lender.
  13. The Lender or agent of the Lender may, at any time, enter upon the mortgaged premises to inspect the mortgaged premises, and the reasonable costs of such inspection shall be added to the debt secured by this Debenture.
  14. If the Corporation should fail to comply with any covenant or agreement contained herein, the Lender or agent of the Lender may, but shall not be obligated to, do whatever is necessary to rectify such failure, and all sums so expended by the Lender or its agent shall forthwith become due and be payable by the Corporation to the Lender and until paid shall form part of the principal sum secured hereby and shall bear interest at the aforesaid rate.
  15. The Corporation agrees to pay to the Lender forthwith upon demand all reasonable costs, charges and expenses (including legal fees on a solicitor and his own client basis) of, or incurred by the Lender in connection with this Debenture or the mortgaged premises or any part thereof, or in recovering or enforcing payment of any of the monies owing hereunder including all costs, charges and expenses incurred in connection with taking possession, preserving, collecting or realizing upon the mortgaged premises, together with interest thereon at the aforesaid rate from the date of incurring such costs, charges and expenses.

16. Upon payment by the Corporation to the Lender of the principal sum, interest and all other monies secured by this Debenture and provided the security hereby constituted shall not have become enforceable, the Lender shall, upon the written request of the Corporation, deliver up this Debenture to the Corporation and shall, at the expense of the Corporation, release and discharge the security hereby constituted and execute and deliver to the Corporation such deeds or other documents as shall be requisite to release and discharge this Debenture and the security afforded hereby; provided, however, that this Debenture may be assigned, pledged, hypothecated or deposited by the Corporation as security for advances or loans to or for indebtedness or other obligations or liabilities of the Corporation and in such event this Debenture shall not be deemed to have been discharged or redeemed by reason of the account of the Corporation having ceased to be in debit balance while this Debenture remains so assigned, pledged, hypothecated or deposited.
17. No postponement or partial release or discharge of the Charge in respect of all or any part of the mortgaged premises shall in any way operate or be construed so as to release and discharge the security hereby constituted in respect of the mortgaged premises except as therein specifically provided, or so as to release or discharge the Corporation from its liability to the Lender to fully pay and satisfy the principal sum, interest and all other monies due or remaining unpaid by the Corporation to the Lender.
18. The Corporation acknowledges and agrees that in the event it amalgamates with any other corporation or corporations it is the intention of the Corporation and the Lender that the term "Corporation" when used herein shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Charge shall secure the indebtedness of each of the amalgamating corporations and the amalgamated corporation to the Lender at the time of amalgamation and any indebtedness of the amalgamated corporation to the Lender thereafter arising. The Charge shall attach to all of the "mortgaged premises" owned by each corporation amalgamating with the Corporation, and by the amalgamated corporation, at the time of amalgamation, and shall attach to any "mortgaged premises" thereafter owned or acquired by the amalgamated corporation when such becomes owned or is acquired.
19. The Corporation will indemnify the Lender 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 Lender, by reason of the assertion that the Lender has received funds 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 Charge; and the Lender shall have the right to defend against any such claims, actions and charges and claim from the Corporation all expenses incurred by the Lender in connection therewith, together with all reasonable legal fees as may be paid by the Lender in connection therewith. It is understood and agreed that the covenants and conditions of this clause 19 shall at all times be construed to be a personal covenant in favour of the Lender and shall not run with the mortgaged premises, 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 Charge, or any foreclosure hereof.
20. The principal sum, interest and other monies hereby secured will be paid by the Corporation and shall be assignable by the Lender free from any right of set-off or counterclaim by the Corporation or any equities between the Corporation and the Lender.
21. Neither the execution and delivery nor the registration of this Debenture shall for any reason whatsoever obligate or bind the Lender to advance any monies, or having advanced a portion

obligate the Lender in any way to advance the balance thereof; but nevertheless the Charge shall take effect forthwith upon execution of this Debenture and shall operate as 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 Corporation to the Lender or remaining unpaid.

22. The security hereby constituted is in addition to, and not in substitution for, any other security now or hereafter held by the Lender and no payment to the Lender shall constitute payment on account of the principal sum, interest or other monies from time to time owing hereunder unless specifically so appropriated in writing by the Lender. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the monies secured hereby shall not release or affect the security of this Debenture and the taking of the security hereby granted or any proceedings hereunder for the realization of the security hereby granted shall not release or affect any other security held by the Lender for the monies hereby secured.
23. Any notice that may be given by the Lender in accordance with this Debenture shall be in writing and may be given at any time either by delivering or by mailing the same addressed to the Corporation at its address specified on the signature page hereof. Any notice delivered to the Corporation shall be deemed to have been given on the business day during which the same was so delivered to the Corporation and any notice mailed to the Corporation shall be conclusively deemed to have been received by the Corporation on the third business day following that on which it was so mailed.
24. The Corporation hereby authorizes the Lender to file or register such financing statements, financing change statements and other documents as the Lender may deem appropriate to perfect on an ongoing basis and continue the Charge, and to protect and preserve the mortgaged premises and the Corporation hereby irrevocably constitutes and appoints the manager or acting manager from time to time of the herein mentioned branch of the Lender the true and lawful attorney of the Corporation, with full power of substitution, to do any of the foregoing in the name of the Corporation whenever and wherever it may be deemed necessary or expedient, with the Lender providing copies thereof to the Corporation in due course.
25. The Corporation hereby acknowledges receipt of a copy of this Debenture, and waives its right to receive a copy of any financing statement or financing change statement registered by the Lender.
26. To the full extent that it may lawfully do so, the Corporation hereby:
  - (a) waives and disclaims any benefit of, and shall not have or assert any right under any statute or rule of law pertaining to, the marshalling of assets, the exemption of homestead, the administration of estates, or any other matter whatever, to defeat, reduce or affect the rights of the Lender under the terms of this Debenture to a sale of the mortgaged premises or any part thereof or for the collection of all amounts secured hereby;
  - (b) agrees that it shall not have or assert any right or equity of redemption or any right under any statute or otherwise to redeem the mortgaged premises or any part thereof after the sale hereunder to any person whether such sale is by the Lender, any receiver or otherwise, notwithstanding, if such should be the case, that the Lender may have purchased same;
  - (c) agrees that the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in such Act) taken with respect to any Charge herein; and

- (d) agrees that the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to:
- (i) this Debenture or any instrument or agreement in implementation hereof,
  - (ii) any Charge or security for the payment of money made, given or created pursuant to any of the foregoing instruments,
  - (iii) any instrument or agreement entered into at any time hereafter by the Corporation renewing or extending or collateral to this Debenture or to any of the foregoing instruments, or
  - (iv) the rights, powers or remedies of the Lender or any receiver under any of the foregoing instruments.
27. The Charge is intended to attach when this Debenture is signed by the Corporation and, with respect to after-acquired property, when the Corporation acquires an interest in such property.
28. This Debenture and all its provisions shall enure to the benefit of the Lender, its successors and assigns and shall be binding upon the Corporation, its successors and assigns.
29. Wherever the singular or masculine or neuter is used in this Debenture, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context so requires.
30. The Corporation will assist the Lender to ensure that this Debenture and all supplementary and corrective instruments and all additional mortgage and security documents described in clause 7, and all documents, caveats, cautions, memorials, security notices, financing statements and assurances in respect thereof are promptly filed and refiled, registered and re-registered and deposited and re-deposited in such manner, in such offices and places, and at such times and as often as may be required by law or as may be necessary or desirable to perfect and preserve the Charge created or intended to be created hereby as a first priority Charge and the rights conferred or intended to be conferred upon the Lender by the Charge herein contained.
31. The Corporation shall, as soon as practicable following receipt by the Corporation of a request by the Lender to provide fixed charge security over the producing petroleum and natural gas properties of the Corporation (and in any event not more than 10 days following such request), the Corporation shall furnish or cause to be furnished to the Lender, at the sole cost and expense of the Corporation, fixed charge security over such producing and natural gas properties of the Corporation as are specified by the Lender, in the form of a supplemental debenture to this Debenture.
32. No waiver of any right of the Lender hereof shall be valid unless in writing delivered to the Corporation as herein provided. No amendment hereunder shall be valid or effective for any purpose unless consented to in writing by the Lender.
33. The provisions of the Offer to Finance are not superseded by or merged in the execution or registration of this Debenture and the provisions of the Offer to Finance shall remain in full force and effect until all of the conditions thereof to be observed or performed by the Corporation have been fully paid and satisfied, provided however, that in the event of a conflict between the terms of the Offer to Finance and the terms of this Debenture, the terms of the Offer to Finance shall

prevail, with the Lender acknowledging that the Permitted Encumbrances are incorporated by reference in the Offer to Finance.

34. In the event that any term or provision in this Debenture shall, to any extent, be invalid or 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 applicable law.
35. This Debenture shall be governed by and construed in accordance with the laws in force in the Province of Alberta and for the purposes of any legal proceedings in respect of this Debenture, the Corporation irrevocably submits to the jurisdiction of the courts of the Province of Alberta. There shall be no application of any conflict of laws rule which is inconsistent with this section.


IN WITNESS WHEREOF the Corporation has executed this Debenture by its proper officers duly authorized in that behalf as of the 14 day of July, 2009.

Address of chief executive  
office of the Corporation:

~~1590~~  
1770, 540 - 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0M2

SCOLLARD ENERGY INC.

Per:

  
Name: ROBERT HEMMING  
Title: CONTROLLER & CFO

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

Name:  
Title:



**SCHEDULE "A"**

**PERMITTED ENCUMBRANCES**

1. Liens for taxes, assessments or governmental charges:
  - (a) not at such date due or delinquent; or
  - (b) the validity of which the Corporation shall be contesting in good faith and in respect of which:
    - (i) an amount in cash sufficient to pay such taxes, assessments or charges shall have been deposited with a court, a taxing or assessing authority or the Lender; or
    - (ii) a surety bond, satisfactory to the Lender, for such amount shall have been deposited with the Lender.
2. The lien of any judgment rendered, or claim filed, against the Corporation which the Corporation shall be contesting in good faith and in respect of which:
  - (a) an amount in cash sufficient to pay such judgment or claim shall have been deposited with a court or the Lender; or
  - (b) a surety bond, satisfactory to the Lender, for such amount, shall have been deposited with the Lender.
3. Undetermined or inchoate liens arising in the ordinary course of and incidental to construction or current operations which:
  - (a) have not, at such time, been filed pursuant to law against the Corporation and which relate to obligations at such date not due or delinquent; or
  - (b) relate to obligations being contested at the time in good faith by the Corporation, provided that the Corporation has posted security therefor with the Lender or with the lien holder in an amount sufficient to discharge same.
4. Liens incurred or created in the ordinary course of business and in accordance with sound industry practice on any petroleum and natural gas rights or production of hydrocarbons therefrom as security in favor of any person who is conducting the development or operation of the property to which such petroleum or natural gas rights relate, for the Corporation's portion of the cost and expenses of such development or operation, which have not at such time been filed pursuant to law and which relate to obligations not due or delinquent.
5. Easements, rights-of-way, servitudes or other similar rights or restriction in property (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables) granted to or reserved or take by other persons which in the aggregate do not materially detract from the value of such property or materially impair its use in the operation of the business of the Corporation.

6. Security given by the Corporation to any public utility, any municipality, a governmental or other public authority when required by such utility, municipality or authority in the ordinary course of the business of the Corporation, which in the aggregate do not detract materially from the value of any part of the mortgaged premises or its use in the operations of the Corporation.
7. The right to reserve to or vest in any municipality, governmental or other public authority under the terms of any lease, license, franchise, grant or permit required by the Corporation or by any statutory provision to terminate any such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof.
8. The reservation in any original grant from any government of any land or interest therein and statutory exceptions to title.
9. To the extent a security interest is constituted or created thereby, any right of first refusal in favor of any person granted in the ordinary course of business with respect to the oil and gas properties of the Corporation, which in the aggregate do not detract materially from the value of any part of the mortgaged premises or its use in the operations of the Corporation.
10. Security interests on hydrocarbons or the proceeds of sale of hydrocarbons arising or granted by the Corporation in the ordinary course of the Corporation's business pursuant to a processing or transmission arrangement entered into by the Corporation in the ordinary course of business, securing the payment of the fees, costs and expenses attributable to the processing or transmission (as the case may be) of any such petroleum substances under any such processing or transmission arrangement, but insofar as such security interests relate to obligations which are at such time not past due.
11. Security interests taken, held or received in collateral by the vendor or lessor of such collateral to secure all or part of the purchase price of or lease payments in respect of that collateral, provided, however, that the aggregate principal amount of the indebtedness secured by the security interests referred to in this paragraph shall not exceed the amounts permitted by the Offer to Finance in the aggregate in any fiscal year.
12. Any lease or sublease of substances other than hydrocarbons granted by the Corporation provided that any such lease or sublease does not interfere with the enjoyment by the Corporation of its petroleum and natural gas properties.
13. Any caveat relating to a lease or sublease referred to in paragraph 12 above filed by or on behalf of the lessee or sublessee thereunder or its successors or assigns.
14. Any interest of a third party under any pooling unit development, farm-in, overriding royalty, net profits interest, carried interest, reversionary interest or operating agreement affecting petroleum and natural gas rights entered into in the ordinary course of business between arm's length third parties on reasonable commercial terms.
15. Any lien or trust arising in connection with workers' compensation, unemployment insurance, pension and employment laws or regulations, provided, however:
  - (a) the Corporation's obligations thereunder are not at the time due or delinquent, or

- (b) the validity of which is being contested by the Corporation in good faith and by appropriate proceedings, provided that no execution in respect of such security interests, trust or deposit has been initiated or, if initiated, such execution has been stayed, and
  - (c) all such failures in the aggregate have no material adverse effect on the financial condition of the Corporation.
16. Any claim or encumbrance from time to time disclosed by the Corporation to the Lender and which is consented to in writing by the Lender.

# Exhibit "D"

THIS IS EXHIBIT " D " referred to in the Affidavit of Sarah K. Kelly Sworn before me this 30 Day of August A.D. 2017  
A NOTARY PUBLIC FOR THE PROVINCE OF Ontario

### PLEDGE AGREEMENT

THIS AGREEMENT dated as of the 14 day of July, 2009 by SCOLLARD ENERGY INC., a corporation subsisting under the laws of Alberta (the "Corporation") in favour of NATIONAL BANK OF CANADA (who and whose successors and assigns are herein called the "Holder").

WHEREAS in connection with an offer to finance dated June 30, 2009 between the Corporation and the Holder (as amended, restated, replaced or supplemented from time to time, the "Loan Agreement"), the Corporation has issued to the Holder a demand debenture in the principal amount of \$75,000,000.00 (as amended and supplemented from time to time, the "Debenture"), dated as of the date hereof; and

WHEREAS the Corporation has agreed to deposit the Debenture with the Holder as general and continuing collateral security for all present and future indebtedness, obligations and liabilities, direct or indirect, absolute or contingent, of whatsoever nature and kind and howsoever created or incurred, of the Corporation to the Holder arising under the Loan Agreement (collectively, the "Secured Obligations");

NOW THEREFORE in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation agrees with the Holder as follows:

1. Interpretation

- (a) The division of this Agreement into Sections and the insertion of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (b) The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Section or other portion hereof and include any amendments or supplements hereto. Unless otherwise stated, references herein to Sections are to Sections of this Agreement.
- (c) Words importing the singular number shall include the plural and vice versa, and words importing gender shall include the masculine, feminine and neuter genders.

2. Deposit of Debenture

The Debenture is hereby delivered to and deposited with the Holder as continuing collateral security for the payment and performance by the Corporation of the Secured Obligations. Any amendments or supplemental debentures to the Debenture shall, upon execution by the Corporation and delivery to the Holder, be deemed to be deposited hereunder and included in the term "Debenture" for the purposes hereof, unless expressly provided otherwise.

3. Right of Holder to Enforce Debenture

Upon the occurrence of any Event of Default under and as defined in the Loan Agreement or any other default in the payment or performance of any of the Secured Obligations, or any default under or breach of any of the Corporation's covenants and agreement contained in the Loan Agreement, the Debenture or any other instrument or agreement from time to time in effect between the Corporation and the Holder (each of which is herein an "Event of Default"), the Holder is hereby authorized as the holder of the Debenture, and without selling or purchasing the Debenture, to exercise any and all rights of a

holder of the Debenture, to enforce all terms, covenants, provisions and agreements contained in the Debenture, to enforce the security constituted by the Debenture and to exercise or cause to be exercised for its benefit all or any of the remedies therein provided for the benefit of the holder of the Debenture.

4. **Right of Holder to Sell Debenture**

In addition to the foregoing rights and remedies, the Holder shall be entitled, upon the occurrence of an Event of Default, to sell or otherwise dispose of the Debenture by public sale (including public auction) or private or closed tender or by private contract, with only those notices, if any, as are required by applicable laws, and with or without advertising and without any other formality (except as otherwise required by applicable laws), and such sale or disposition shall be on the such terms and conditions as to title, credit and otherwise and as to upset or reserve bid or price as may seem advantageous to the Holder, and the Holder shall not be required to accept the highest or any bid or tender at any public sale. The Holder may rescind or vary any contract for the sale or other disposition of the Debenture and may resell the Debenture without being answerable for any loss occasioned thereby, and may delay any sale or disposition of the Debenture in whole or in part; *provided* that all sales or dispositions of the Debenture shall be made in a commercially reasonable manner.

5. **Power of Attorney**

To give full effect to Sections 3 and 4 hereof, the Holder or any account manager of the Holder is hereby appointed attorney irrevocable of the Corporation effective upon and during the continuance of an Event of Default, with full power of substitution, for and in the name of the Corporation 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 Debenture to the Holder or its account managers or to any purchaser.

6. **Satisfaction of Interest**

Payment in full by the Corporation of or on account of all interest accrued on and fees payable in respect of the Secured Obligations for any period shall be deemed payment in full of interest accrued for the same period under the Debenture, notwithstanding anything to the contrary in the Debenture.

7. **No Suspension of Covenants**

All covenants of the Corporation provided pursuant to the Debenture are acknowledged, agreed and intended by the Corporation to be operative and effective immediately and shall not be suspended in any manner by the deposit of the Debenture.

8. **Limitation on Realization**

Notwithstanding the provisions of the Debenture, the Holder shall not claim or realize an amount under or in respect of the Debenture in excess of the Secured Obligations (for further certainty, the amount of the Secured Obligations shall be determined without reference to the obligation to pay the principal sum under and as defined in the Debenture).

9. **No Merger**

The Debenture shall not operate by way of merger of any of the Secured Obligations or any other indebtedness or liability or obligation of any kind, including, without limitation, under any deed, guarantee, indemnity, contract, draft, bill of exchange, promissory note or other negotiable instrument by which the same may now or at any time hereafter be represented or evidenced, and no judgment recovered by the Holder shall merge or in any way affect the security created by the Debenture or otherwise.

10. **Expenses of Realization**

The Holder may charge on its own behalf and pay to others reasonable sums for services rendered in realizing, enforcing, collecting, selling, transferring, delivering or obtaining payment of the Debenture and may deduct the amount of such charge and payment from the proceeds thereof. The balance of such proceeds may be held in lieu of the Debenture and may, as and when the Holder thinks fit, be applied on account of such parts of the Secured Obligations as the Holder deems appropriate.

11. **Other Obligations Not Affected**

The rights and security provided for herein is in addition to and not in substitution for any other agreement or any other security by whomsoever given or at any time held by the Holder in respect to the Secured Obligations, and the Holder shall at all times have the right to proceed against or realize upon all or any portion of any other agreements or any security or any other moneys or assets to which the Holder may become entitled or have claim in such order and in such manner as the Holder in its sole discretion may deem appropriate.

12. **Governing Law**

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated as an Alberta contract. The Corporation irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Alberta, without prejudice to the rights of the Holder to take proceedings in any other jurisdictions.

13. **Effective Notice**

All notices and other communications required or permitted hereunder shall be given in the form and manner prescribed by the Debenture.

14. **Successors and Assigns**

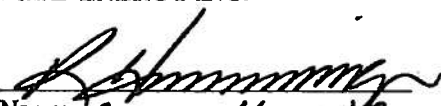
This Agreement shall be binding upon the Corporation and its successors and assigns and shall enure to the benefit of the Holder and its successors and assigns; provided that the Corporation shall not and cannot assign this Agreement without the prior written consent of the Holder, which may be arbitrarily withheld. The Corporation acknowledges and agrees that the Secured Obligations shall include all present and future indebtedness, obligations and liabilities of the Corporation to any assignee or successor of the Holder.

15. **Return of Debenture**

Upon payment in full of the Secured Obligations and termination of any credit facilities established by the Holder and its assigns in favour of the Corporation, the Holder shall return the Debenture to the Corporation, and shall discharge any registrations made in respect thereof at the sole cost and expense of the Corporation.

IN WITNESS WHEREOF the Corporation has caused this Agreement to be executed by its duly authorized representative(s).

SCOLLARD ENERGY INC.

Per:   
Name: ROBERT NEMMAN  
Title: CONTROLLER & CFO

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



# Exhibit “E”

Search ID#: Z09452652

**Transmitting Party**

NORTON ROSE FULBRIGHT CANADA LLP

Suite 3700, 400- 3rd Avenue SW  
Calgary, AB T2P 4H2

Party Code: 60003332  
Phone #: 403 287 8488  
Reference #: 01124572-0593

Search ID #: Z09452652

Date of Search: 2017-Aug-25

Time of Search: 13:24:06

**Business Debtor Search For:**

SCOLLARD ENERGY LTD.

THIS IS EXHIBIT " E " referred to in the Affidavit of  
..... Karen Koury .....  
Sworn before me this 30  
Day of August A.D. 2017  
.....  
A NOTARY PUBLIC FOR THE  
PROVINCE OF Ontario

Both Exact and Inexact Result(s) Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.

Be sure to read the reports carefully.



Search ID#: Z09452652

**Business Debtor Search For:**

SCOLLARD ENERGY LTD.

Search ID #: Z09452652

Date of Search: 2017-Aug-25

Time of Search: 13:24:06

---

Registration Number: 14011329648

Registration Type: SECURITY AGREEMENT

Registration Date: 2014-Jan-13

Registration Status: Current

Expiry Date: 2018-Jan-13 23:59:59

---

Inexact Match on: Debtor

No: 1

---

**Amendments to Registration**

16011109534

Amendment And Renewal

2016-Jan-11

---

**Debtor(s)**

**Block**

1 SCOLLARD ENERGY  
1590, 540 - 5 AVENUE S.W.  
CALGARY, AB T2P 0M2

**Status**

Current

**Secured Party / Parties**

**Block**

1 ENERFLEX LTD.  
3615 - 34 STREET N.E.  
CALGARY, AB T1Y 6Z8

**Status**

Deleted by  
16011109534

**Block**

2 ENERFLEX LTD.  
10121 BARLOW TRAIL N.E.  
CALGARY, AB T3J 3C6

**Status**

Current by  
16011109534

**Collateral: General**

**Block**

**Description**

1 05-02-043-01W5 UNIT 31336 COMPRESSOR

**Status**

Current

Search ID#: Z09452652

**Business Debtor Search For:**

SCOLLARD ENERGY LTD.

Search ID #: Z09452652

Date of Search: 2017-Aug-25

Time of Search: 13:24:06

Registration Number: 15011700019

Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Jan-17

Registration Status: Current

Expiry Date: 2020-Jan-17 23:59:59

Exact Match on: Debtor

No: 2

Inexact Match on: Debtor

No: 1

**Amendments to Registration**

16011308504

Amendment

2016-Jan-13

**Debtor(s)**

**Block**

1 SCOLLARD ENERGY INC.  
1710 333 5 AVENUE SW  
CALGARY, AB T2P3B6

**Status**

Current

**Block**

2 SCOLLARD ENERGY LTD.  
1710 333 5 AVENUE SW  
CALGARY, AB T2P3B6

**Status**

Current by  
16011308504

**Secured Party / Parties**

**Block**

1 JIM PEPLINSKI LEASING INC.  
3200 BLOOR STREET WEST  
TORONTO, ON M8X 1E1

**Status**

Current

Phone #: 416 236 1651

Fax #: 416 236 3490

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1GT12ZEG1FF534784	2015	GMC 2500 CREW CAB	MV - Motor Vehicle	Current

Search ID#: Z09452652



**Business Debtor Search For:**

SCOLLARD ENERGY LTD.

Search ID #: Z09452652

Date of Search: 2017-Aug-25

Time of Search: 13:24:06

---

Registration Number: 15122334219

Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Dec-23

Registration Status: Current

Expiry Date: 2025-Dec-23 23:59:59

---

Exact Match on: Debtor

No: 2

---

**Amendments to Registration**

15123025835

Amendment

2015-Dec-30

---

**Debtor(s)**

**Block**

1 1934995 ALBERTA LTD.  
600, 435 - 4TH AVENUE SW  
CALGARY, AB T2P 3A8

**Status**

Current

**Block**

2 SCOLLARD ENERGY LTD.  
600, 435 - 4TH AVENUE SW  
CALGARY, AB T2P 3A8

**Status**

Current by  
15123025835

**Secured Party / Parties**

**Block**

1 NATIONAL BANK OF CANADA  
1800, 311 - 6TH AVENUE SW  
CALGARY, AB T2P 3H2

**Status**

Current

**Collateral: General**

**Block**

**Description**

1 All present and after-acquired personal property of the debtor.

**Status**

Current

Search ID#: Z09452652

**Business Debtor Search For:**

SCOLLARD ENERGY LTD.

Search ID #: Z09452652

Date of Search: 2017-Aug-25

Time of Search: 13:24:06

---

Registration Number: 15122915309

Registration Type: LAND CHARGE

Registration Date: 2015-Dec-29

Registration Status: Current

Registration Term: Infinity

---

Exact Match on: Debtor

No: 2

---

**Amendments to Registration**

15123025866

Amendment

2015-Dec-30

---

**Debtor(s)**

**Block**

1 1934995 ALBERTA LTD.  
600, 435 - 4TH AVENUE S.W.  
CALGARY, AB T2P 3A8

**Status**

Current

**Block**

2 SCOLLARD ENERGY LTD.  
600, 435 - 4TH AVENUE S.W.  
CALGARY, AB T2P 3A8

**Status**

Current by  
15123025866

---

**Secured Party / Parties**

**Block**

1 NATIONAL BANK OF CANADA  
1800, 311 - 6TH AVENUE S.W.  
CALGARY, AB T2P 3H2

**Status**

Current

Search ID#: Z09452652

**Note:**

The following is a list of matches closely approximating your Search Criteria,  
which is included for your convenience and protection.



**Debtor Name / Address**

SCOLLARD ENERGY INC  
333 5 AVE SW  
CALGARY, AB T2P3B6

**Reg. #**

15033114755

**SECURITY AGREEMENT**

**Debtor Name / Address**

SCOLLARD ENERGY INC.  
1710 333 5 AVENUE SW  
CALGARY, AB T2P3B6

**Reg. #**

15011700019

**SECURITY AGREEMENT**

Result Complete

# Exhibit “F”



# NORTON ROSE FULBRIGHT

Banking & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
400 3rd Avenue SW, Suite 3700  
Calgary, Alberta T2P 4H2 CANADA

F: +1 403.284.6873  
nortonrosefulbright.com

August 22, 2017

Sent by E-Mail

Scollard Energy Inc.  
Bow Valley Square 1  
202 – 6<sup>th</sup> Avenue SW, Suite 1400  
Calgary AB, T2P 2R9

Attn: Ken Moon, President & COO, and Rob  
Hemminger, CFO

Howard A. Gorman, Q.C.  
+1 403.287.8144  
howard.gorman@nortonrosefulbright.com

Dear Sirs:

Roberta Savard  
+ 403.287.8184  
roberta.savard@nortonrosefulbright.com

**Indebtedness of Scollard Energy Ltd. as the  
borrower (the "Borrower" or "Scollard") to  
the National Bank of Canada (the "Bank")**

Our reference  
01124572-0594

We are solicitors for the Bank in connection with the  
indebtedness of Scollard to our client pursuant to loan agreements and security as set out herein.

Pursuant to an Offering Letter dated June 30, 2008 as between Scollard and the Bank, as amended and  
restated from time to time (the Loan Agreement), various loans and advances were made by the Bank to  
Scollard under the Loan Agreement and security including the following:

- General Assignment of Book Debts;
- Floating Charge Debenture;
- Pledge Agreement re: Debenture; and
- other security.

(collectively, the Security)

THIS IS EXHIBIT " F " "  
referred to in the Affidavit of  
KAREN KAYE  
Sworn before me this 30  
Day of August A.D. 2017  
A NOTARY PUBLIC FOR THE  
PROVINCE OF Ontario

The loan and credit facilities that Scollard has with the Bank are repayable on demand. Demand is hereby  
made with respect to the total amount of the indebtedness owing by Scollard to the Bank, in accordance  
with the Loan Agreement and the Security.

As at August 22, 2017, the amount outstanding and owing by the Borrower to the Bank was  
approximately CAD \$17,064,589.42, plus accrued and accruing costs (including professional and bank  
fees), disbursements and interest as defined in the Loan Agreement, with per diem interest accruing  
thereon. In addition to per diem interest, the amounts owing will be increased by any costs incurred by the  
Bank.

Demand is hereby made upon the Borrower for payment in full of the amounts outstanding together with  
any accrued interest and other legal fees or charges that may arise. In the event that payment is not  
made in full by close of business on September 1, 2017, or the Bank determines that its collateral is at  
risk, the Bank will take such steps as they may consider necessary to protect its position.

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

NORTON ROSE FULBRIGHT

enforcement, please return the enclosed consent to earlier enforcement, executed by a duly authorized representative of the Borrower.

In addition to the notice pursuant to the provisions of the Act, I enclose for your consideration a consent receivership order, to be executed by Scollard and returned to the undersigned's attention in the event that Scollard either consents to earlier enforcement and/or wishes to expedite the appointment of a receiver over its assets by consenting to same.

Upon your review of the foregoing, should you have any questions or concerns you may contact the undersigned directly to discuss.

Yours truly,

Norton Rose Fulbright Canada LLP  
Per:

A handwritten signature in black ink, appearing to be 'Howard A. Gorman', written over a horizontal line.

Howard A. Gorman, Q.C.  
Senior Partner

cc: National Bank of Canada (via e-mail) / Gunnar Benediktsson, Norton Rose Fulbright Canada LLP

**NOTICE OF INTENTION TO ENFORCE SECURITY  
(Subsection 244(1))**

To: Scollard Energy Ltd.

Take notice that:

1. The National Bank of Canada (the Bank), 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 Bank is set out in Schedule "A", attached hereto;
3. The total amount of the indebtedness secured by the security, as at August 22, 2017, is Cdn \$17,084,589.42 plus accrued and accruing costs, disbursements and interest accruing from the date of this notice; and
4. The secured creditor (the Bank) will not have the right to enforce the security until after the expiry of the 10 day period following the sending of this notice unless the insolvent person consents to an earlier enforcement.

Dated at Calgary, Alberta, this 22<sup>nd</sup> day of August, 2017.

NATIONAL BANK OF CANADA  
by its solicitors and agents, Norton Rose Fulbright Canada LLP



Per: \_\_\_\_\_  
Howard A. Gorman, Q.C.

**Scollard Energy Ltd. hereby:**

- (a) consents to the immediate enforcement by the Bank 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 Bank's) disposition of any or all collateral subject to the secured party's (the Bank'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); and
- (c) consents to the secured party's (the Bank's) immediate appointment of a Receiver, or a Receiver-Manager, in accordance with the provisions of the above noted security.

Per: \_\_\_\_\_ c/s  
Scollard Energy Ltd.  
By its authorized signatory

NAME:  
TITLE:

## **SCHEDULE "A"**

- **General Assignment of Book Debts;**
- **Floating Charge Debenture;**
- **Pledge Agreement re: Debenture; and**
- **Further and other security**