

Form 49
[Rule 13.19]

COURT FILE NUMBER

1601 06765

COURT

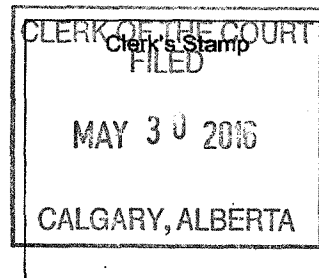
COURT OF QUEEN'S BENCH OF
ALBERTA
CALGARY

JUDICIAL CENTRE.

PLAINTIFF(S)

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

AND IN THE MATTER OF
ENDURANCE ENERGY LTD.



DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE
AND
CONTACT INFORMATION
OF
PARTY FILING THIS
DOCUMENT

Thornton Grout Finnigan LLP
100 Wellington Street West, Suite 3200
Toronto, Ontario M5K 1K7
CANADA

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

Attention: Robert I. Thornton / Leanne Williams / Rachel Bengino
File No: 1751-001

AFFIDAVIT OF STEVEN VANSICKLE

Sworn (or Affirmed) on May 30, 2016

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

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

RELIEF REQUESTED

2. This Affidavit is made in support of an application by Endurance for an Order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (the “**CCAA**”), among other things:

- (a) declaring that Endurance is an entity to which the CCAA applies;
- (b) staying all proceedings and remedies taken or that might be taken in respect of the Company or any of its property, except as otherwise set forth in the Initial Order or as otherwise permitted by law;
- (c) authorizing the Company to carry on business in a manner consistent with the preservation of its property and business;
- (d) appointing FTI Consulting Canada Inc. (“**FTI**”) as Monitor of the Company in these proceedings (the “**Proposed Monitor**”);
- (e) approving certain charges as set out herein;
- (f) authorizing the Company to pay the reasonable fees and disbursements of its professional advisers and counsel to the Interim Lender (as defined herein);
- (g) approving the Interim Financing (as defined herein);
- (h) sealing Confidential Exhibit “A” attached to this Affidavit; and
- (i) deeming service of the within Application for the Initial Order to be good and sufficient on all parties entitled to service thereof.

3. This Affidavit is also made in support of an order approving a sales process (the “Sales Process”) proposed by the Company’s financial advisor, BMO Nesbitt Burns Inc. (the “Financial Advisor”) in the form attached to the Application Record of the Applicant.

INTRODUCTION

4. Endurance has experienced significant financial challenges since the downturn in the oil and gas market. The Company has pursued a variety of financing, sale and restructuring alternatives in an effort to resolve these financial challenges as more particularly described below but none have been successful.
5. On May 26, 2016 the Company’s secured lenders issued a Borrowing Base Shortfall Notice (as defined below), which effectively cut off the cash availability of the Company. Due to the extremely tight cash restraints, Endurance has insufficient funds to pay its suppliers and creditors in the ordinary course or at all. The Company requires immediate relief to preserve the *status quo*, to ensure that its property and assets are maintained in a safe and secure manner and to preserve value for its creditors.

CORPORATE STRUCTURE AND BUSINESS OPERATIONS

6. Endurance is a private company incorporated under the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9 (“ABCA”). The registered head office of the Company is at 2400, 525 - 8 Avenue Street West Calgary, Alberta. Attached as Exhibit “A” is the Corporation/Non-Profit Search of the Corporate Registration System of the Government of Alberta.

7. Endurance currently has 84 employees. Of those employees, 47 work in the field. Endurance does not offer a pension plan to its employees nor are its employees unionized.
8. Endurance is an exploration and production company focused on the acquisition and development of natural gas assets in the Western Canadian Sedimentary Basin. Endurance's main producing asset is in the Sierra Field, which contains approximately 900 producing wells (the "Sierra Field Asset"). The Sierra Field Asset was purchased in 2013 and is located in northeast British Columbia. The principle business plan that was effected subsequent to the acquisition of the Sierra Field Asset was to utilize horizontal drilling and multi-stage fracturing techniques to grow the asset, combined with strong operational discipline to maintain cost and margin controls.
9. The Sierra Field Asset produces approximately 85 million cubic feet of natural gas per day. Further, it is approximately 125 miles long, has three compressor stations (plus three shut-in) and two gas plants. One plant is equipped with amine to sweeten gas. Further, it consists of approximately 250 non-producing wells, 1,800 km of pipelines, 50,000 rotating horsepower of compression. The two gas plants, Elleh and Sierra, are capable of processing 100 mmcf/d and 110 mmcf/d of raw gas capacity, respectively.
10. At the time of the acquisition of the Sierra Field Asset, natural gas was sold to each of the Spectra system for delivery to British Columbia and to Transcanada for delivery into Alberta. Both of the delivery points have since been burdened with 'take-or-pay' contracts. During the winter of 2016, Endurance acquired sufficient capacity in Transcanada to commence delivery of substantially all of its gas into Alberta in order to

receive AECO pricing. AECO pricing has been at a premium to British Columbia priced at Station 2.

11. On February 28, 2012, Endurance entered into an initial \$155.7 million share purchase agreements with Warburg Pincus LLC ("**Warburg Pincus**") and certain other small investors to fund Endurance's growth plans. On June 27, 2013, in conjunction with the acquisition of the Sierra Field Asset, Endurance entered into a second share purchase agreement with Warburg Pincus and certain other smaller shareholders for the aggregate amount of \$102.1 million. All share purchase agreements were fully ascribed for and purchased in August 2015. As a result of these share purchase agreements, Warburg Pincus owns 84.4% of the issued and outstanding participating shares of Endurance.
12. On September 3, 2015, Endurance acquired all of the outstanding common shares of StonePoint Energy Inc. ("**StonePoint**") by way of plan of arrangement under the ABCA. Endurance amalgamated with StonePoint on October 1, 2015. StonePoint was a Calgary-based junior oil and gas company engaged in petroleum and natural gas exploration and development. StonePoint's strategy was focused on acquiring and developing assets located in the Deep Basin and Peace River Arch areas of Western Canada.
13. Endurance's main focus in its acquisition of StonePoint was to acquire its management team. I was the Chairman, President and CEO of StonePoint and upon the closing of the StonePoint acquisition, I became the President and CEO of Endurance, joined Endurance's board of directors on September 3, 2015 and was appointed Chairman on December 11, 2015. Since that time, the management team of Endurance has

implemented cost-saving measures, which have reduced the operating costs of Endurance by 20%.

ASSETS AND LIABILITIES

Financial Statements

14. A copy of Endurance's audited financial statements for the year ending December 31, 2015 are attached hereto as Exhibit "B", and a copy of Endurance's unaudited interim draft financial statements for the first quarter ended March 31, 2016 are attached hereto as Exhibit "C".

Assets

15. As at March 31, 2016, the book value of Endurance's assets was approximately \$551.9 million. This includes current assets with an approximate book value of \$56.4 million and non-current assets with an approximate book value of \$495.5 million.
16. Current assets as at March 31, 2016 included restricted cash (approximately \$3.5 million), accounts receivable (approximately \$9.9 million), prepaid expenses and deposits (approximately \$5.3 million), deferred premium receivable (approximately \$2.9 million) and financial instrument commodity contracts (approximately \$34.8 million).
17. Non-current assets as at March 31, 2016 included exploration and evaluation assets (approximately \$13.9 million), property, plant and equipment (approximately \$469.3 million), deferred premium receivable (approximately \$0.5 million) and financial instrument commodity contracts (approximately \$11.8 million).

Derivative Financial Instruments

18. Each of Canadian Imperial Bank of Commerce (“CIBC”), the Bank of Montreal (“BMO”), The Toronto-Dominion Bank (“TD”) and Alberta Treasury Branches (“ATB”; collectively, the “Swap Lenders”) entered into various ISDA-2002 Master Agreements with the Company to manage economic exposure to market risks related to commodity prices (the “Swaps”). The Swaps entered into are for settlement in 2016-2019 and fix the AECO price the Company receives for its natural gas production. As at May 25, 2016, the Swaps had an approximate value of \$40 million. The next Swap maturity dates are June 9, 2016 and June 27, 2016. The Company anticipates receipt of approximately \$5.3 million from these Swaps.

Liabilities

19. As at March 31, 2016, Endurance had liabilities totalling approximately \$632.3 million. The current liabilities include accounts payable and accrued liabilities (approximately \$18.2 million), deferred premium payable (approximately \$4.9 million) and current bank debt owing under the Credit Facilities (as defined below; approximately \$32.5 million). The non-current liabilities total \$567.7 million and include \$186.2 million of bank debt owing under the Credit Facilities (as defined below).
20. On August 1, 2013, Endurance accepted the assignment and conveyance of two raw gas transmission and treatment service contracts (the “Spectra Contracts”). Pursuant to the terms of the Spectra Contracts, Spectra Energy provides Endurance with the ability to transport raw gas from the Western Canadian Sedimentary Basin to the Spectra Fort Nelson plant for processing (treatment service). As noted above, the Company has been able to source enough capacity through the Transcanada pipeline to meet its general

requirements. The monthly payment owing in respect of the Spectra Contracts is approximately \$986,000 on May 30, 2016.

21. Additionally, Endurance also holds contracts for Spectra T-North services, which transports gas from the Fort Nelson plant to either Station 2 or Alliance Gordondale (the "**Spectra T-North Contracts**"). The performance of services under the Spectra T-north Contracts were assigned to BP Canada Energy Company on a monthly basis and such assignment expires on May 31, 2016. The monthly aggregate costs of the Spectra T-North Contracts payable by Endurance are approximately \$219,124, which will increase to \$229,679 as at November 2016 due to the addition of an additional Spectra T-north service.

Secured Facilities

22. Pursuant to the Credit Agreement dated June 27, 2013, as amended by a first amending agreement dated March 31, 2014, a second amending agreement dated October 31, 2014, a third amending agreement dated April 30, 2015 and a fourth amending agreement dated December 29, 2015 (collectively, the "**Credit Agreement**"), among Endurance, as borrower, CIBC, BMO, HSBC Bank Canada, TD, ATB and Union Bank, Canada Branch as lenders thereunder (collectively, the "**Lenders**"), and CIBC, as administrative agent for the Lenders (the "**Agent**"), the Lenders agreed to provide to Endurance certain credit facilities. A copy of the Credit Agreement is attached hereto as Exhibit "**D**".
23. The Lenders made the following credit facilities available to Endurance pursuant to the Credit Agreement:

- (a) non-revolving syndicated facility in the total principal amount of \$45 million (the “**Non-Revolving Loan**”);
 - (b) revolving syndicated facility in the total principal amount of \$185 million (the “**Revolving Loan**”); and
 - (c) operating facility totalling \$15 million (the “**Operating Facility**”),
(collectively, the “**Credit Facilities**”).
24. Each of the Non-Revolving Loan and the Revolving Loan were fully drawn as at April 1, 2016.
25. As of May 25, 2016, the total amount of the indebtedness owing under the Credit Facilities was \$221,886,331 (the “**Indebtedness**”).
26. As security for its obligations under the Credit Agreement, the Company granted a demand debenture to the Lenders in the amount of \$500 million which was registered by the Agent under the Alberta *Personal Property Security Act*, R.S.A. 2000, c. P-7. A copy of a certified search of the Personal Property Registration System with respect to Endurance is attached hereto as Exhibit “E”.

Payments Due under the Non-Revolving Loan

27. Pursuant to the terms of the Credit Agreement, Endurance is required to make the following payments under the Non-Revolving Loan: \$12.5 million on each of March 31, 2016 (the “**March Payment**”) and May 31, 2016 (the “**May Payment**”), and \$20 million on November 30, 2016. The failure to pay these amounts when due constitute an Event of Default (as defined under the Credit Agreement) under the Credit Agreement.

28. As a result of the financial position of the Company, in order to meet its obligations with respect to the March Payment, at the Lender's request, Endurance monetized certain of its 2017, 2018 and 2019 Swaps. The monetization of these Swaps before maturity caused Endurance to lose the benefit of those Swaps in 2017, 2018 and 2019, which eliminated their long-term value to the Company.
29. The May Payment is due on May 31, 2016. Endurance does not have any liquidity with which to make this payment. Failure to make the May Payment would constitute an Event of Default under the Credit Agreement, upon which, all obligations owing under the Credit Agreement will become immediately due and payable and the Lenders will be entitled to enforce all of their rights and remedies against Endurance.

Borrowing Base

30. Pursuant to the terms of the Credit Agreement, redetermination of the Borrowing Base (as defined in the Credit Agreement) was to have occurred on March 31, 2016 (the "**Borrowing Base Calculation Date**"). If the Borrowing Base was redetermined on March 31, 2016, the Company would have been in a shortfall position which would have prohibited Endurance from requesting further borrowings under its Operating Facility. As a result, the Borrowing Base Calculation Date was extended by the Lenders on numerous occasions, with the consent of the Company, to permit further discussions among the stakeholders in an effort to resolve the Company's liquidity constraints. The final Borrowing Base Calculation Date extension was granted on May 25, 2016 requiring the calculation to occur on May 26, 2016, a copy of which is attached as Exhibit "F".
31. As a result of the Escrowed Funds (as defined herein), each Borrowing Base Calculation Date extension granted by the Lenders contained the following conditions:

- (a) the Company was required to use the proceeds of the Credit Facilities during the extension period only to pay ordinary course business expenses as set out in the budget provided to and agreed by the Lender's financial advisor (with a permitted 10% aggregate variance for budgeted expenditures); and
 - (b) any proceeds from the Credit Facilities were not permitted to be applied to pay for (or provide for the past or future payment of) any advisory, professional or similar fees of the Company.

- 32. On May 26, 2016, the Lenders issued a notice to Endurance that the Borrowing Base was being calculated effective as of March 31, 2016 (the "**Borrowing Base Shortfall Notice**") in the amount of \$160 million, which resulted in a shortfall of \$71 million. Attached as Exhibit "G" is a copy of the Borrowing Base Shortfall Notice.

- 33. Pursuant to the terms of the Credit Agreement, upon receipt of a Borrowing Base Shortfall Notice, the Lenders are not required to make any further borrowings available to the Company. Since the Company's accounts with the Agent operate as overdraft accounts, Endurance had no liquidity and no ability to use its cash receipts to fund operations.

- 34. As an accommodation to the Company, the Lenders agreed to provide additional liquidity of up to \$5 million in accordance with the terms of the Fifth Amending Agreement effective as of May 26, 2016, a copy of which is attached as Exhibit "H". As the Company's Operating Facility was already drawn in the amount of \$4,286,331 at the time, the accommodation only provided additional liquidity of approximately \$713,000, which was insufficient for all items presented for payment on May 26 and 27, 2016. As a

result, certain items presented for payment by creditors and suppliers of Endurance were returned due to insufficient funds. However, the additional liquidity allowed the Company to fund certain employee benefits and payroll in the approximate aggregate amount of \$498,009, which was due on Friday May 27.

EVENTS LEADING TO THE INSOLVENCY

35. Over the course of 2015, Endurance's oil and natural gas production produced an average of 105.4 million cubic feet of gas equivalent per day. In 2015, its reported total revenues were approximately \$128.5 million and EBIDTA was \$57.5 for the year. The Company's production revenue reduced by nearly half from \$202.2 million in 2014 to \$104.5 million in 2015. Further, the net income of Endurance reduced from \$20.8 million in 2014 to a loss of \$75.1 million in 2015.
36. I assisted in the reduction of, amongst other expenses, the general and administrative expenses payable by the Company. The Company reduced its general and administrative expenses by approximately \$2.8 million from 2014 to current. Further, field operating expenses have been reduced from an original 2015 budget of \$51.4 million (\$1.71 per mcf) to a 2016 budget of \$42.3 million (\$1.41 per mcf) and a stretch target, which Endurance is set to achieve at \$39 million (\$1.31 per mcf).
37. The Company has been focused on mitigating its production declines, which are currently at 12%.
38. Endurance's operational cash flow is heavily dependent on the price of oil and natural gas. The recent volatility in the oil and natural gas market is due to, amongst other factors, supply and demand and market uncertainty. As a result of the downturn in the oil

and gas market, Endurance has experienced significant financial difficulties in the last year, such as reduced production and revenue. Endurance's total revenues and EBITDA fell to \$27.5 million and \$19.9 million, respectively, for the quarterly period ending March 31, 2016. Monetizing the hedges to meet the March Payment, as discussed above, resulted in realization of the amount of \$12.2 million, which was used to repay the Lenders. This amount is included in both the total revenue and EBITDA calculations. Given that field operating costs in 2016 were at or slightly above the AECO price, there is minimum financial flexibility available to cover interest, general and administrative costs and working capital.

39. The Company recognized its financial difficulties and retained the Financial Advisor at the end of March, 2016. The Company and its advisors met with the Lenders on April 12, 2016, to discuss its operations, liquidity needs, cash flow projections and restructuring options. The Company has always attempted to work cooperatively and transparently with the Lenders to seek viable solutions to the economic crisis facing the Company. As noted above, the Lenders agreed to delay the Borrowing Base Calculation Date to permit the Company additional liquidity during this period.
40. As part of the search for solutions, the Lenders requested a meeting with the Company's largest shareholder, Warburg Pincus. The Lenders and Warburg Pincus had numerous discussions in respect of refinancing options available to the Company. During this time, Warburg Pincus advised the Company that it made an offer to the Lenders to take an assignment of their debt at a substantial discount to the amount owing (the "Offer"). On May 26, the Lenders declined the Offer.

41. Concurrently with the decline of the Offer, the Lenders advised the Company that, on the evening on May 26, 2016, they would not permit any further borrowings beyond the available \$713,000, which, as discussed above was mostly used to fund the payable payroll and employee benefits. The Lenders further advised that they would not agree to appoint a receiver over the assets of the Company. This put the Company, which has considerable going concern gas operations, including over 900 operating wells, in a very precarious situation.

THE CCAA PROCESS

42. As described above, despite the efforts of the Company to address its financial difficulties, Endurance has been unable to find an out of court solution that would enable it to fund its ongoing operations or to repay or refinance the amounts owing under the Credit Facilities.
43. The Company has liabilities in excess of \$632 million and is insolvent. Endurance is unable to fund its ongoing operations and does not have sufficient funds to pay for either a canvass of the market for its assets or, perhaps more importantly, a safe and responsible shutdown of its operations, if necessary.
44. A stay of proceedings is essential to maintain the *status quo* in order to preserve the value of Endurance's business as a going concern, if possible. Such a stay would provide Endurance with the opportunity to explore various restructuring alternatives.
45. Endurance and its board of directors have thoroughly considered the circumstances and alternatives available to Endurance in the present circumstances. In exercise of their business judgment and with the assistance of their legal and financial advisors, they have

determined that it is in the best interest of Endurance and its stakeholders for Endurance to file for protection under the CCAA.

Sales Process

46. The Financial Advisor has proposed the Sales Process to solicit interest in and opportunities for a sale of or investment in all or part of the Company's assets (the "Property") and business operations (the "Business").
47. The Company is seeking the approval of the Sales Process, that contemplates the following:
 - (a) preparation of marketing materials and notification to potential bidders;
 - (b) solicitation of interest from parties to begin analyzing transaction alternatives;
 - (c) due diligence and the submission by interested parties of non-binding letters of interest;
 - (d) the review of non-binding letters of intent and the later submission of binding offers by qualified bidders, which shall be subject to any right of first refusal in favour of the Interim Lender; and
 - (e) the final negotiation and approval of a transaction, subject to further order of the Court.
48. The deadline for binding bids under the Sales Process is to be no later than seven (7) weeks from the date of the Order approving the Sales Process. If the Order is granted on May 30, 2016, the binding bid deadline will be no later than July 18, 2016.

49. The Interim Lender (as defined below) and the Lenders will each be permitted to participate in the Sales Process by offering to acquire all of the assets of Endurance, subject to any deficiency claim, in full satisfaction of the Interim Loan Amount (as defined below) or the Credit Facilities, respectively. Any credit bid would require satisfaction of any and all monies secured or to be secured under the Court-ordered Charges described herein. If either the Interim Lender or the Lenders choose to participate in the Sales Process, they will not be provided with any non-public information about the Sales Process participants and proposals they may or may not make.
50. The Company has discussed the Sales Process with the Financial Advisor, who has advised that the enhanced level of flexibility designed into the proposed process is necessary given the nature of the assets, the challenges that surround achieving a successful sale of these assets in this economic environment and the limited resources available to the Company.
51. A copy of the Sales Process proposed by the Financial Advisor is attached as Exhibit "T".

The Monitor

52. I believe that FTI is qualified and competent to act as Monitor in the potential CCAA proceeding. Attached hereto as Exhibit "J" is a copy of a Consent to Act as Monitor executed by Deryck Halkaa on behalf of FTI.

Interim Financing

53. WP Private Equity XI Inc., an entity related to Warburg Pincus, has agreed to provide interim financing to the Company during the proposed CCAA proceedings (the "Interim Lender").

54. The interim financing is essential to the successful restructuring of Endurance. It is Endurance's position that none of its creditors will be materially prejudiced as a result of the granting of an Interim Charge (as defined herein) against Endurance's assets. Rather, in light of Endurance's current liquidity situation, the provision of the interim financing will enable Endurance to continue its operations and meet its post-filing obligations and will either enhance the prospects of a viable compromise or arrangement being made in respect of Endurance or will enhance the likelihood of a sale as a going concern to occur at values greater than would likely be achieved in an imminent liquidation. Without immediate financing, such a liquidation would certainly occur commencing immediately.
55. In addition, the interim financing will allow the Company to plan and coordinate the transition of its future operations to a new purchaser, in the event of a sale, or to responsibly transition its operations to a shutdown mode, if necessary, without undue operational stress, including the potential for harmful events that could potentially arise from a gas producing operation arising as a result of a severely abrupt cancellation of financing.
56. On May 30, 2016, the board of directors of Endurance approved the execution of the Interim Facility Commitment Letter (the "**Interim Facility Commitment Letter**").
57. A copy of the Interim Facility Commitment Letter is attached hereto as Exhibit "**K**".

Overview of the Cash Flow Forecast

58. As set out in the 13 week cash flow projections (the "**Cash Flow Statement**") for the period from May 30, 2016 to August 26, 2016 prepared by the Company with the

assistance of the Proposed Monitor, the Company's principal uses of cash during the next 13 weeks will consist of the payment of ongoing day-to-day operational expenses, funding of the Sales Process and professional fees and disbursements in connection with these CCAA proceedings. A copy of the Cash Flow Statement is attached as Exhibit "L".

59. As at the time of swearing this affidavit, the Company had approximately \$266,258 available remaining on the \$5 million Operating Facility discussed in paragraph 34, above. The Cash Flow Statement projects that, subject to obtaining the relief outlined herein, the Company will have sufficient cash to fund their projected operating costs until the end of the stay period.

Approval of the Financial Advisor Engagement

60. In order to assist in the implementation of this CCAA process, the Company seeks the approval and confirmation of the Court of the retention of the Financial Advisor and approval of the terms of its engagement letter dated March 24, 2016 (the "**Engagement Letter**"). Under the terms of the Engagement Letter, the Company agreed to apply to the Court for approval of the Engagement Letter, retention of the Financial Advisors and to apply for an Administration Charge (as defined below) to secure the amounts due and owing under the Engagement Letter. The Financial Advisor would not have accepted this mandate without this undertaking. The terms of the Engagement Letter are confidential and the Financial Advisor has requested that the Company seek a sealing order in respect of the Engagement Letter. A copy of the Engagement Letter is attached hereto as Confidential Exhibit "A".

61. In accordance with the terms of the Engagement Letter, \$1.5 million was escrowed with legal counsel to Endurance, Thornton Grout Finnigan LLP, in respect of the future obligations that may become owing under the Engagement Letter (the “Escrowed Funds”). A copy of the agreement governing the Escrowed Funds is attached hereto as Exhibit “M”.
62. The approval of the engagement of the Financial Advisor is appropriate in the circumstances as the Financial Advisor has been working with the Company to date in their pre-CCAA restructuring efforts and have extensive knowledge of the options reviewed and available to the Company. The Financial Advisor’s background knowledge is particularly helpful in the ongoing review of strategic alternatives for the Company particularly given the highly specialized industry in which the Company operates.
63. The Company will be seeking an Order sealing the Confidential Exhibit to this Affidavit, which contains the Engagement Letter. The Engagement Letter is commercially sensitive as it contains the commercial terms of the engagement of the Financial Advisor. The disclosure of those commercial terms would have a detrimental impact on the Financial Advisor’s ability to negotiate compensation on any future engagements. Further, the sealing of the Confidential Exhibit would not materially prejudice any third parties.

Administration Charge

64. Endurance seeks a charge on its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “Property”) in the maximum amount of \$2.5 million to secure the fees and disbursements incurred in connection with services rendered to Endurance both before and after the commencement of the CCAA proceedings by counsel to Endurance, the

Proposed Monitor, the Proposed Monitor's counsel, the Financial Advisor and counsel to the Interim Lender (the "**Administration Charge**").

65. Endurance has worked with the Proposed Monitor to determine the proposed quantum of the Administration Charge and believes it to be reasonable and appropriate in view of Endurance's CCAA proceedings and the services provided and to be provided by the beneficiaries of the Administration Charge.

Directors' and Officers' Charge

66. Endurance's board of directors currently consists of five directors. The Endurance board has been and remains engaged in the initiatives and actions set out herein. To ensure the ongoing stability of Endurance's business during the CCAA proceedings, Endurance requires and would benefit from the continued participation of its directors and officers who manage the business and commercial activities of Endurance. The directors and officers of Endurance have in-depth knowledge of the Company and bring valuable experience and expertise. The operations of Endurance are highly technical and the directors and officers have specialized experience and expertise in this industry.
67. The directors and officers of Endurance have indicated that due to the potential for personal liability, they cannot continue their service in this restructuring unless the Initial Order grants the Directors' Charge (as defined below) to secure Endurance's indemnity obligations to the directors and officers that arise post-filing.
68. I am advised by counsel to Endurance, and do verily believe, that in certain circumstances directors have been held liable for certain obligations of a company owing to employees and governmental entities. Wages, vacation pay, and statutory employee

deductions are accruing and paid in the ordinary course. As at May 31, 2016, there is certain accrued and unpaid vacation pay in the amount of \$296,473.

69. Endurance maintains directors' and officers' liability insurance (the "**D&O Insurance**") for the directors and officers of Endurance. The current D&O Insurance policies provide a total of \$20 million in coverage.
70. The proposed Initial Order contemplates the establishment of a charge on the Property in the amount of \$1 million (the "**Directors' Charge**") to protect the directors and officers against obligations and liabilities they may incur as directors and officers of Endurance after the commencement of the CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of a director's or officer's gross negligence or wilful misconduct.
71. The benefit of the Directors' Charge will only be available to the extent that a liability is not covered by the D&O Insurance.
72. While the D&O Insurance is available, the directors and officers of Endurance cannot be certain that the insurance providers will not seek to deny coverage on the basis that the D&O Insurance does not cover a particular claim or that coverage limits have been exhausted.
73. Endurance does not currently have sufficient funds available to satisfy any contractual indemnities to the directors or officers should the directors or officers claim upon those indemnities.

74. Endurance has worked with the Proposed Monitor in determining the proposed quantum of the Directors' Charge and believes the Directors' Charge to be reasonable in the circumstances.

Priorities of the Charges

75. It is contemplated that the priorities of the various charges set out herein will be as follows:
- (a) First – the Administration Charge (to a maximum of \$2.5 million);
 - (b) Second – the Interim Lender's Charge (to a maximum of USD \$20 million);
 - (c) Third – the Directors' Charge (to a maximum of \$1 million).
76. The Initial Order sought by the Applicant provides for the Administration Charge, the Interim Lender's Charge and the Directors' Charge (collectively, the "**Charges**") on the assets and property of the Applicant, ranking in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any person, notwithstanding the order of perfection or attachment.
77. The Applicant believes that the amounts of the Charges are fair and reasonable in the circumstances.

URGENCY


78. The Company has no liquidity, effective immediately. Without the stay and approval of the interim financing, it will not be able to meet its ongoing obligations. This includes, but is not limited to, paying its suppliers, employees and licenses. The Company is also concerned that, without proper funding, it will not be in a position to ensure the safety of

its workforce or the properties and people surrounding its operations. The requested relief is required to preserve the *status quo* to allow the Company to effect its reorganization for the general benefit of its various stakeholders.

PURPOSE OF THE AFFIDAVIT

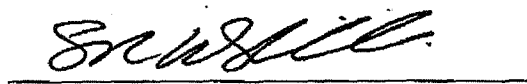
79. I hereby swear this Affidavit in support of the within Application and for no other or improper purpose.

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


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

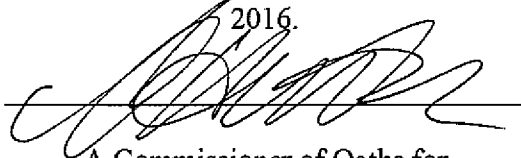
CAROLE J. HUNTER

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


(Signature)

STEVEN P. VANSICKLE
(Print Name)

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

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

A Commissioner of Oaths for
the Province of Alberta

CAROLE J. HUNTER

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

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2016/03/28
Time of Search: 12:04 PM
Search provided by: WEST-END REGISTRATIONS LICENSING & SEARCHES LTD.

Service Request Number: 24882087
Customer Reference Number: 01268676-594325

Corporate Access Number: 2019243589
Legal Entity Name: ENDURANCE ENERGY LTD.

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Method of Registration: Amalgamation
Registration Date: 2015/10/01 YYYY/MM/DD

Registered Office:

Street: 2400, 525 - 8 AVENUE S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2P 1G1

Records Address:

Street: 2400, 525 - 8 AVENUE S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2P 1G1

Directors:

Last Name: BASS
First Name: JAMES
Middle Name: K.
Street/Box Number: 9 GREENWAY PLAZA, SUITE 1300
City: HOUSTON
Province: TEXAS
Postal Code: 77046

Last Name: BEN-DOR
First Name: ROY
Street/Box Number: 450 LEXINGTON AVENUE
City: NEW YORK
Province: NEW YORK
Postal Code: 10017-3147

Last Name: KRIEGER
First Name: DAVID
Middle Name: B.
Street/Box Number: 450 LEXINGTON AVENUE
City: NEW YORK
Province: NEW YORK
Postal Code: 10017-3147

Last Name: MCKENZIE
First Name: MARGARET
Middle Name: A.
Street/Box Number: 814 IMPERIAL WAY S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2S 1N7

Last Name: VANSICKLE
First Name: STEVEN
Middle Name: R.
Street/Box Number: 16 LAKE ADAMS PLACE S.E.
City: CALGARY
Province: ALBERTA
Postal Code: T2J 3S8

Last Name: ZAWALSKY
First Name: GRANT
Middle Name: A.
Street/Box Number: 1127 - 38 AVENUE S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2T 2J3

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE SCHEDULE "A" ATTACHED HERETO
Share Transfers Restrictions: SEE SCHEDULE "B" ATTACHED HERETO
Min Number Of Directors: 1
Max Number Of Directors: 11
Business Restricted To: NONE
Business Restricted From: NONE
Other Provisions: SEE SCHEDULE "C" ATTACHED HERETO

Other Information:

Amalgamation Predecessors:

Corporate Access Number	Legal Entity Name
2017333200	ENDURANCE ENERGY LTD.
2019185327	STONEPOINT ENERGY INC.

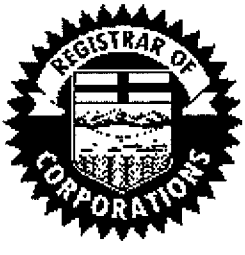
Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2015/10/01	Amalgamate Alberta Corporation
2016/01/06	Change Director / Shareholder

Attachments:

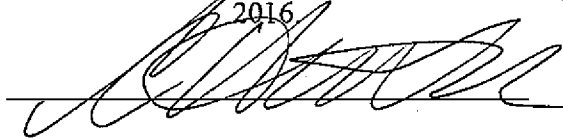
Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Statutory Declaration	10000307115604597	2015/10/01
Share Structure	ELECTRONIC	2015/10/01
Restrictions on Share Transfers	ELECTRONIC	2015/10/01
Other Rules or Provisions	ELECTRONIC	2015/10/01
Shares in Series	ELECTRONIC	2015/10/01

This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.



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

2016

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

A Commissioner of Oaths for
the Province of Alberta

CAROLE J. HUNTER

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

Endurance
Energy
Ltd.

December 31

2015

Annual
Financial
Statements

ENDURANCE ENERGY LTD.
Statements of Financial Position

<i>(millions of Canadian dollars)</i>	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Accounts receivable		-11.3	14.5
Prepaid expenses and deposits		5.7	4.9
Deferred premium receivable	12	3.7	6.1
Financial instrument commodity contracts	12	22.9	20.6
		<u>\$43.6</u>	<u>\$46.1</u>
Exploration and evaluation assets	7	13.4	20.6
Property, plant and equipment	6	464.4	598.4
Deferred premium receivable	12	1.0	4.7
Financial instrument commodity contracts	12	22.7	13.5
Deferred tax asset	13	-	2.1
Total non-current assets		<u>\$501.5</u>	<u>\$639.3</u>
Total assets		<u>\$545.1</u>	<u>\$685.4</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$11.3	\$36.6
Deferred premium payable	12	6.5	11.1
Bank debt	8	45.0	-
		<u>\$62.8</u>	<u>\$47.7</u>
Bank debt	8	186.2	198.9
Deferred premium payable	12	1.7	8.1
Decommissioning obligations	9	109.0	189.5
Participating shares	10	270.8	251.5
Total non-current liabilities		<u>\$567.7</u>	<u>\$648.0</u>
Total liabilities		<u>\$630.5</u>	<u>\$695.7</u>
SHAREHOLDERS' EQUITY			
Common shares	11	0.1	0.1
Contributed surplus		0.6	0.6
Deficit		(86.1)	(11.0)
Total equity		<u>(\$85.4)</u>	<u>(\$10.3)</u>
Total equity and liabilities		<u>\$545.1</u>	<u>\$685.4</u>

Subsequent event note 2 and 8

The notes are an integral part of these Financial Statements

Approved on behalf of the Board of Directors:

 Margaret A. McKenzie Director

 Grant Zawalsky Director

ENDURANCE ENERGY LTD.**Statements of Income/(Loss) and Comprehensive Income/(Loss)**

<i>(millions of Canadian dollars)</i>	Notes	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenue			
Production revenue		\$104.5	\$202.2
Realized gain/(loss) on commodity contracts	12	24.0	(23.5)
Unrealized gain on commodity contracts	12	16.4	52.4
Royalties		(1.2)	(12.2)
		<u>\$143.7</u>	<u>\$218.9</u>
Expenses			
Production		49.1	54.5
Transportation system		24.5	23.5
General and administrative		12.6	11.7
Depletion, depreciation and amortization	6	55.4	64.0
Impairment	6,7	54.4	20.3
Goodwill impairment	6	3.9	-
Results from operating activities		<u>(\$56.2)</u>	<u>\$44.9</u>
Finance expense	5	15.1	16.6
Income/(loss) before income tax		<u>(\$71.3)</u>	<u>\$28.3</u>
Deferred income tax expense	13	(3.8)	(7.5)
Net income/(loss) and comprehensive income/(loss)		<u>(\$75.1)</u>	<u>\$20.8</u>

The notes are an integral part of these Financial Statements

ENDURANCE ENERGY LTD.

Statements of Changes in Shareholders' Equity/(Deficiency)

<i>(millions of Canadian dollars or number of shares)</i>	Number of Common Shares	Share Capital	Contributed Surplus	Income/ (Deficit)	Total Equity
Balance at January 1, 2014	2,417,000	\$0.1	\$0.6	(\$31.8)	(\$31.1)
Income for the year	-	-	-	20.8	20.8
Share based payments	-	-	0.1	-	0.1
Issuance of Founders Shares	83,500	-	-	-	-
Repurchase of Founders Shares	(483,500)	-	(0.1)	-	(0.1)
Balance at December 31, 2014	2,017,000	\$0.1	\$0.6	(\$11.0)	(\$10.3)
Balance at January 1, 2015	2,017,000	\$0.1	\$0.6	(\$11.0)	(\$10.3)
Loss for the year	-	-	-	(75.1)	(75.1)
Issuance of Founders Shares	1,211,700	-	-	-	-
Cancellation of Founders Shares	(486,983)	-	-	-	-
Repurchase of Founders Shares	(267,217)	-	-	-	-
Balance at December 31, 2015	2,474,500	\$0.1	\$0.6	(\$86.1)	(\$85.4)

The notes are an integral part of these Financial Statements

ENDURANCE ENERGY LTD.
Statements of Cash Flows

<i>(unaudited; millions of Canadian dollars)</i>	Notes	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash flows from operating activities:			
Net income/(loss) for the year		(\$75.1)	\$20.8
Adjustments for:			
Deferred income tax expense/(recovery)	13	3.8	7.5
Unrealized gain on commodity contracts	12	(16.4)	(52.4)
Depletion, depreciation and amortization	6	55.4	64.0
Impairment	6,7	54.4	20.3
Goodwill impairment	6	3.9	-
Non-cash finance expense	5	4.2	6.2
Other	10	(1.1)	0.4
		\$29.1	\$66.8
Net change in non-cash working capital items		(4.9)	1.3
Net cash from operating activities		\$24.2	\$68.1
Cash flows from investing activities:			
Property, plant and equipment expenditures	6	(49.8)	(99.1)
Additions to exploration and evaluation assets	7	(2.3)	(2.6)
StonePoint Energy acquisition	6	(5.3)	-
Net change in non-cash working capital items		(17.8)	4.3
Net cash used in investing activities		(\$75.2)	(\$97.4)
Cash flows from financing activities:			
Proceeds from Issue of participating shares	10	21.5	30.3
Repurchase of participating shares	10	(1.9)	(1.2)
Net proceeds from issue and repurchase of founders' shares and special incentive shares	10,11	-	(0.1)
Proceeds from bank debt	8	146.6	106.3
Repayments of bank debt	8	(115.0)	(109.0)
Bank debt transaction costs	8	(0.2)	(0.3)
Net cash from financing activities		\$51.0	\$26.0
Increase/(decrease) in cash and cash equivalents during the year		-	(3.3)
Cash and cash equivalents, beginning of year		-	3.3
Cash and cash equivalents, end of year		-	-

The notes are an integral part of these Financial Statements

**ENDURANCE ENERGY LTD.
NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. REPORTING ENTITY

Endurance Energy Ltd. was incorporated under the laws of the Province of Alberta, Canada, on May 1, 2008 as 1398708 Alberta Ltd. On June 11, 2008, Articles of Amendment were filed, changing the name to Endurance Energy Ltd. (the "Company"). The Company's head office is located at 800 - 215 9th Ave SW in Calgary, Alberta.

On September 3, 2015 the Company acquired StonePoint Energy Inc., a company incorporated under the laws of the Province of Alberta, Canada, and which became a wholly-owned subsidiary of the Company until the entity was amalgamated with the Company on October 1, 2015. The StonePoint Energy Inc. acquisition is discussed further in note 6.

The Company was formed to pursue oil and natural gas opportunities in the Western Canadian Sedimentary Basin.

2. BASIS OF PRESENTATION

a) Going concern:

These financial statements have been prepared on a going concern basis, which presumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has syndicated credit facilities with six financial institutions totaling \$245 million. \$200 million, which is inclusive of a \$15 million operating facility, is extendible and revolving with a stated term date of June 27, 2018. \$45 million is non-revolving and coming due over the following schedule: \$12.5 million on March 31, 2016, \$12.5 million on May 31, 2016 and \$20 million on November 30, 2016. These credit facilities are secured by a floating charge debenture covering all the assets of the Company and a general security agreement. As at December 31, 2015 \$231.2 million was drawn in borrowings and \$2.0 million drawn as letters of credit on these facilities (note 8).

Weakened natural gas prices in 2015 and into the first few months of 2016 have eroded the value of the Company's oil and natural gas reserves and the borrowing base upon which the Company's credit facilities are secured.

On March 31, 2016 the Company made the \$12.5 million payment that was due from funds realized by monetizing fixed price commodity contracts. The syndicate informed the Company that a borrowing base shortfall exists. Under the terms of the credit facility, the Company has 90 days to eliminate the borrowing base shortfall upon receipt of notice. The Company and its advisors are currently reviewing possible alternatives to eliminate the shortfall. The current forward price curves, which are a key input in determining the revised borrowing base, combined with the syndicate's notice that a borrowing shortfall exists, create a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern and repay the remaining amounts owing during 2016 and to eliminate any borrowing base shortfall.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis is not appropriate, adjustments to the carrying amounts of assets and liabilities, revenues and expenses and the statement of financial position classifications used may be necessary and could be material to the financial statements.

b) Statement of compliance:

These financial statements have been prepared by management using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The Company's significant accounting policies under IFRS are presented in Note 3. These financial statements have been prepared in compliance with IFRS.

These financial statements were authorized for issuance by the Board of Directors on March 31, 2016.

c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instrument commodity contracts, which are carried at fair value.

d) Functional and presentation currency:

The financial statements are presented in millions of Canadian Dollars. The Canadian Dollar is the functional currency of the Company.

e) Critical accounting judgments and key sources of estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

i) Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

The Company's assets are aggregated into cash generating units ("CGU" or "CGUs") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgments in regards to geographical proximity, geology, production profile, shared infrastructure and similar exposure to market risk and materiality. The Company reviews the composition of its CGUs at each reporting date to evaluate whether any changes are required due to new facts and circumstances.

Judgments are required to assess when Impairment Indicators exist and impairment testing is required.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

Management's classification of the participating shares as a liability on the statement of financial position is a critical judgment made after analyzing the terms and conditions of the participating shares in light of the applicable IFRS standards.

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings.

ii) Key sources of estimation uncertainty:

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, which affect the measurement of balances and transactions in these financial statements.

The assessment of recoverable quantities of proved and probable reserves include estimates regarding production profile, future commodity prices, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to assess the reservoirs and their anticipated recoveries of reserves. The economic, geological and other technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum and natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if producibility is supported by either production or conclusive formation tests. The Company's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

The Company estimates the decommissioning obligations for the Company's wells and associated facilities. In most instances, the removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, removal technologies in determining the removal costs, and the estimate of the liability specific discount rate to determine the present value of these cash flows.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired.

The Company's estimate of the fair value of share-based compensation is dependent upon estimates of the expected terms to exercise, the value of the Company's common shares on the grant date, interest rates and expected volatility in these variables.

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward natural gas prices and the volatility in those prices.

The deferred tax asset is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations:

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date. The cost of an acquisition is measured as the aggregate consideration transferred, measured at the acquisition date fair value. Any excess of the cost of acquisition over the recognized amounts of identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the recognized amounts of the identifiable net assets acquired is recognized immediately in net income. Associated transaction costs are expensed when incurred.

b) Financial instruments:

i) Non-derivative financial instruments:

Non-derivative financial instruments comprise accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities, and bank debt. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash on hand, terms deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Other non-derivative financial instruments, such as accounts receivable, accounts payable and accrued liabilities and bank debt, are measured at amortized cost using the effective interest method, less any impairment losses.

ii) Derivative financial instruments:

The Company has entered into fixed for floating swaps, deferred premium put options and deferred premium call options to manage economic exposure to market risks related to commodity prices. Derivative financial instruments are not used for speculative purposes. These financial assets are classified as "held-for-trading" and are recorded at fair value.

iii) Participating shares:

Participating shares are classified as a financial liability. Incremental costs directly attributable to the issue of participating shares are recognized as a deduction from the value of the participating shares. The participating shares were initially recorded at fair value, net of any transaction costs, and are measured ongoing at amortized cost using the effective interest method, less any impairment losses and share repurchases. Share repurchases during 2015 and 2014 were recorded at their initial fair value, with changes in the share value being recorded through the statement of income/(loss) and comprehensive income/(loss).

iv) Common shares:

Common shares are classified as equity.

c) Property, Plant and Equipment and Exploration and Evaluation Assets:

i) Recognition and measurement:

Exploration and evaluation expenditures:

Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired and until the drilling of the well is complete and results have been evaluated. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. There are no capitalized general and administrative costs included within E&E assets.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property, plant and equipment referred to as oil and natural gas interests.

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production ("D&P") assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. A CGU is the smallest group of assets that generates cash inflows from continuing use and is largely independent of the cash inflows of other assets or groups of assets. The Company has grouped its development and production assets into the following CGU's: Colorado and Sierra. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" or "other expenses" in profit or loss.

ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii) Depletion and depreciation:

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable

reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimate of salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by external reserve engineers annually.

For the year ended December 31, 2015 only the reserves associated with the Sierra CGU are being evaluated by external petroleum consultants. The reserves associated with the Colorado CGU are being evaluated internally by the Company's engineers.

Proved and probable reserves are estimated using reserve engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proved component of proved and probable reserves are 90 percent and 10 percent, respectively.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved and probable if producibility is supported by either actual production or a conclusive formation test. The area of reservoir considered proved includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Office equipment	3 -5 years
Fixtures and fittings	3 years
Leasehold Improvements	term of lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

d) Impairment:

i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The cost of undeveloped land that expires during a period and any impairment of intangible exploration assets is recognized as impairment.

For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value less costs to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such market participant to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses reduce the carrying amount of the assets in a CGU on a prorata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

e) Share Based Payments:

The Company's share-based compensation plan is comprised of both common shares ("Founders' Shares") and a stock option plan, see note 11 for further details on these plans. The grant date fair value of options granted to employees and directors is recognized as compensation expense, within general and administrative expenses, with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Recognized unvested amounts are not reversed on expiry of the options, but are reversed on forfeiture.

f) Special incentive shares:

Special incentive shares are convertible into common shares under certain circumstances at the occurrence of a liquidation event. This conversion calculation is determined in accordance with a prescribed formula and is not solely based on share value. Therefore these instruments are not considered to be share-based payments, but rather are considered an employee benefit. The impact of this determination is that the special incentive shares will be recognized in the financial statements when the Company has a reliable estimate of the obligation and a present obligation of payment exists related to these special incentive shares, both of which rely on a liquidation event.

g) Decommissioning Obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases and/or decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

h) Revenue:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

i) Finance Income and Expense:

Finance expense consists of accretion of the discount on provisions, amortization of transaction costs related to the participating shares and bank debt, and impairment losses recognized on financial assets. The

conversion entitlement on Participating Shares is not recognized in earnings until payment of the obligation is probable.

Interest income is recognized as it accrues in profit or loss.

j) Operating Leases:

Lease agreements entered into by the Company where the risks and rewards of ownership have not transferred to the Company, as the lessee, are classified as operating leases. Leased assets classified as operating leases are not recognized on the Company's statement of financial position. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

k) Income Tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax recognized provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) New Standards and Interpretations not yet adopted:

In July 2014 the IASB issued a revised financial instruments (IFRS 9) standard, to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9. The new standard presents a reformed approach to hedge accounting, a new model for classification and measurement of financial instruments and a forward-looking 'expected loss' impairment model. The revised standard is effective for annual periods beginning on or after January 1, 2018, and is required to be applied retrospectively with some exemptions. Early adoption is permitted.

Revenue from contracts with customers (IFRS 15) was issued by the IASB in May 2014. The new standard is required to be applied to annual periods beginning on or after January 1, 2018, with early adoption permitted. This standard specifies how and when revenue will be recognized, and provides a principles based five-step model to apply to all contracts with customers. The new standard will replace the construction contracts (IAS 11) and revenue (IAS 18) standards.

In January 2016 the IASB issued the complete leases (IFRS 16) standard, to replace the current lease standard (IAS 17). The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019, with early adoption permitted. Under the new standard, a single recognition and measurement model will apply for lessees which will require recognition of assets and liabilities for most leases.

The Company is currently assessing the impacts of the new standard and the amendments to existing standards at this time.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined and utilized for measurement and/or disclosure purposes based on the following methods.

a) Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable and Accrued Liabilities

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2015 and 2014, the fair value of these balances approximate their carrying value due to their short term to maturity.

b) Property, Plant and Equipment and Exploration and Evaluation Assets

The fair value of property, plant and equipment recognized in a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally and internally prepared reserve reports. The market value of exploration and evaluation assets are estimated with reference to the market values of current arm's length transactions in comparable locations.

c) Share Based Payments

The fair value of the stock options are measured using a Black Scholes option pricing model. Measurement inputs include common share price on measurement date, exercise price, expected volatility, weighted average expected life of the option or share, expected dividends, expected forfeitures and the risk-free interest rate.

d) Financial Instrument Commodity Contracts

The estimated fair value of financial instrument commodity contracts is based on the discounted amount the Company would receive or pay on the outstanding contracts if settled at the year-end date.

e) Participating Shares

Participating shares are initially recorded at fair value. On the initial funding date, there is no basis to assume subscription price is not equal to fair value based on observable inputs. The liquidation of the participating shares is restricted by existing shareholder arrangements. Accordingly, there is no active market.

When applicable, further information regarding the assumptions made in determining fair values is disclosed in the financial statement notes specific to that asset or liability.

f) Bank Debt

The estimated fair value of bank debt is determined by discounting the future contractual cash flows of principal and interest under its current financing agreements.

5. FINANCE EXPENSE

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
Interest on bank debt	\$10.9	\$10.4
Accretion on decommissioning liability	3.0	5.0
Amortization of bank debt transaction costs	0.9	0.9
Amortization of participating share transactions costs	0.3	0.3
Total finance expense	\$15.1	\$16.6

6. PROPERTY PLANT AND EQUIPMENT

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
Property, plant and equipment, at cost	\$685.5	\$719.8
Accumulated depletion and depreciation and impairment	(221.1)	(121.4)
Net book value, end of the year	\$464.4	\$598.4
Reconciliation of movements during the year:		
Cost, beginning of the year	\$719.8	\$621.9
Accumulated depletion and depreciation and impairment, beginning of the year	(121.4)	(39.3)
Net book value, beginning of the year	\$598.4	\$582.6
Additions	49.8	\$94.4
Transfers from exploration and evaluation assets	-	0.1
Acquisitions ^{1,2}	0.7	4.7
Changes in decommissioning liabilities	(84.8)	(1.4)
Impairment	(44.3)	(18.0)
Depletion and depreciation	(55.4)	(64.0)
Net book value, end of the year	\$464.4	\$598.4

¹Property, plant and equipment acquired through the September 3, 2015 purchase of StonePoint Energy Inc.

²During the prior year the Company closed two working interest acquisitions in March and November of 2014, for \$4.2 million and \$0.5 million, respectively.

Included in the calculation of depletion was an estimate for future development costs of \$542.9 million at December 31, 2015 (2014 - \$629.1 million). An estimated future salvage value of \$115.7 million was excluded from the calculation of depletion at December 31, 2015 (2014 - \$133.7 million).

Property, plant and equipment include a net book value of \$0.8 million related to corporate office assets at December 31, 2015 (2014 - \$1.2 million).

Corporate Acquisition

On September 3, 2015, the Company acquired all of the issued and outstanding shares of StonePoint Energy Inc. ("StonePoint") for cash consideration of \$16.7 million. This transaction was primarily a strategic undertaking by the Company to obtain a CEO and other executive team members. Total transaction costs incurred by the Company of \$0.2 million associated with this acquisition were expensed and are included on the statement of income/(loss) and comprehensive income/(loss), within general and administrative expenses.

Results from operations for StonePoint are included in the Company's financial statements from the closing date of the transaction. The acquisition has been accounted for using the purchase method based on fair values as follows:

<i>(millions of Canadian dollars)</i>	<u>StonePoint Energy Inc.</u>
Fair value of net assets acquired:	
Cash	\$11.4
Net working capital	(0.1)
Property, plant and equipment	0.7
Exploration and evaluation	0.6
Deferred income tax asset	1.8
Goodwill ¹	3.9
Flow-through share premium liability	(0.4)
Decommissioning obligations	(1.2)
<u>Total</u>	<u>\$16.7</u>
Consideration:	
Cash	(\$16.7)

¹This goodwill was subsequently expensed through goodwill impairment, see impairment disclosure below.

Impairment

The Company determined there were indicators of impairment in both of the Company's CGUs at December 31, 2015, due to declining forward natural gas prices. Impairment tests were performed on both CGUs, resulting in an impairment of \$44.3 million for the Sierra CGU. The impairment loss is included within impairment on the statement of income/(loss) and comprehensive income/(loss).

The impairment tests performed during 2015 were based on the value in use methodology, determined using expected future cash flows generated from proven and probable reserves using pre-tax discount rates between 10% and 15%. The impairment calculation performed for the Sierra CGU at December 31, 2015 is based on a reserves report that is prepared externally by GLJ Petroleum Consultants whereas the impairment calculations performed for the Colorado CGU were based on an internal reserve evaluation. The impairment loss resulted because the carrying value of the Sierra CGU exceeded the recoverable amount determined at December 31, 2015.

The results of the impairment analysis are sensitive to changes in the forward commodity prices, among other factors. Further declines in the economic price environment for natural gas and natural gas liquids could result in additional impairment losses. Impairment charges recorded to date may be reversed at such time that the recoverable amount of the impaired CGU increases.

The impairment loss related to development and production assets has been included within impairment on the statement of income/(loss) and comprehensive income/(loss). Additionally, the \$3.9 million of goodwill acquired

through the StonePoint acquisition was expensed as goodwill impairment and is shown separately on the statement of income/(loss) and comprehensive income/(loss).

The following table summarizes the benchmark prices used in the impairment calculation at December 31, 2015. These prices are obtained from the January 1, 2016 forecast prices published by GLJ Petroleum Consultants:

Year	GLJ Petroleum Consultants			
	Henry Hub Nymex	AECO Natural Gas	WTI	Edmonton C5+
	Natural Gas (\$US/mmbtu)	Natural Gas (\$C/mmbtu)	WTI (\$US/bbl)	Stream Quality (\$C/bbl)
2016	2.60	2.76	44.00	60.79
2017	3.10	3.27	52.00	68.48
2018	3.30	3.45	58.00	73.17
2019	3.50	3.63	64.00	78.91
2020	3.70	3.81	70.00	84.30
2021	3.90	3.90	75.00	88.12
2022	4.10	4.10	80.00	94.41
2023	4.30	4.30	85.00	100.71
2024	4.50	4.50	87.88	103.24
2025	4.60	4.60	89.63	105.30
Escalate thereafter at	2%/year	2%/year	2%/year	2%/year

A 1% increase in the discount rates used would increase the impairment charge within the Sierra CGU by approximately \$56.1 million. A 10% decline in the forward commodity price curve estimates would increase the impairment loss within the Sierra CGU by approximately \$125.0 million.

At December 31, 2014, the Company performed an impairment assessment of its property, plant and equipment for both CGUs and determined there were indicators of impairment, due to declining forward natural gas prices. The impairment tests performed on both CGUs resulted in an impairment of \$18.0 million for the Colorado CGU. The impairment tests performed as at December 31, 2014 were based on a fair value less cost of disposal methodology, determined using expected future cash flows generated from proved reserves using pre-tax discount rates between 10% and 15%, based on the December 31, 2014 reserves report.

7. EXPLORATION AND EVALUATION ASSETS

(millions of Canadian dollars)

Cost:	
Balance at January 1, 2014	\$20.4
Additions	2.6
Undeveloped land expiries	(2.3)
Transfers to property, plant and equipment	(0.1)
Balance at December 31, 2014	\$20.6
Additions	2.3
Acquisitions	0.6
Impairment	(6.7)
Undeveloped land expiries	(3.4)
Balance at December 31, 2015	\$13.4

E&E assets consist of the Company's exploration projects which are pending the determination of proved and/or probable reserves. Costs relate primarily to undeveloped land. During the year ended December 31, 2015, \$3.4

million (2014 - \$2.3 million) was expensed relating to expired undeveloped land. Additionally, E&E assets were further impaired by \$6.7 million, primarily relating to leases on undeveloped land that the Company plans to let expire in the coming year.

8. DEBT

(millions of Canadian dollars)

Balance at January 1, 2014	\$201.0
Credit facility drawn	106.3
Repayments on the credit facility	(109.0)
Transaction costs	(0.3)
Amortization of transaction costs	0.9
Balance at December 31, 2014	\$198.9
Credit facility drawn	146.6
Repayments on the credit facility	(115.0)
Transaction costs	(0.3)
Amortization of transaction costs	1.0
Reclassification of debt to short term	(45.0)
Balance at December 31, 2015	\$186.2
Current bank debt - Balance at December 31, 2015	\$45.0

Bank Debt

The Company has a syndicated \$185 million extendible revolving credit facility with six financial institutions with a stated term date of June 27, 2018. The Company has a syndicated non-revolving credit facility of \$45 million with the same six financial institutions, which comes due over following schedule: \$12.5 million on March 31, 2016, \$12.5 million on May 31, 2016 and \$20 million on November 30, 2016. In addition the Company has a \$15 million revolving operating facility with the same term date as the syndicated revolving credit facility. The syndicated \$185 million and the operating \$15 million credit facilities are available on a revolving basis to the stated term date. The credit facilities are secured by a floating charge debenture covering all the assets of the Company and a general security agreement.

On March 31, 2016 the Company made the \$12.5 million payment that was due by monetizing fixed price commodity contracts as discussed in note 2 under going concern.

Advances bear interest at the bank's prime rate, bankers' acceptance rates plus stamping fees, the Canadian Dollar Exchange Equivalent of U.S. Libor rates plus applicable margins depending on the form of borrowing by the Company. Stamping fees and margins vary from 1.00 to 4.25 percent for the revolving facilities and from 3.00 to 6.25 percent for the non-revolving facility dependent upon the Company's debt to earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") ratios ranging from less than 1 times to greater than 3.5 times and the type of borrowing. The effective rate on the debt outstanding at December 31, 2015 is approximately 5.16 percent (2014 - 4.58 percent).

Total interest expense of \$10.9 million, related to this bank debt, was included in the results for the year ending December 31, 2015 (2014 - \$10.4 million).

9. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its responsibility to abandon and reclaim its net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total inflated undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$172.7 million which may be incurred between 2016 and 2041. A risk-free rate of 2.75 percent (2014 – 2.75 percent) and an inflation rate of 2.0 percent (2014 – 2.0 percent) were used to calculate the best estimate of the decommissioning obligation. A significant reduction in the decommissioning obligation was recognized in the year due to changes in estimates relating to lower service costs and the approach to how an abandonment program would be accomplished.

The reconciliation of the decommissioning obligation is provided below:

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
Balance, beginning of year	\$189.5	\$185.9
Liabilities incurred	\$0.9	2.5
Liabilities acquired	1.2	1.7
Liabilities settled	(0.6)	-
Change in estimate and discount rate	(85.0)	(5.6)
Accretion expense	3.0	5.0
Balance, end of year	\$109.0	\$189.5

10. PARTICIPATING SHARES

<i>(millions of Canadian dollars and number of shares)</i>	Number of Participating Shares	Participating Shares
Shares outstanding at January 1, 2014	22,432,087	\$222.1
Shares issued	3,029,250	30.3
Shares repurchased	(122,050)	(1.2)
Amortization of transaction costs	-	0.3
Shares outstanding at December 31, 2014	25,339,287	\$251.5
Shares issued	2,222,395	21.5
Shares repurchased	(250,095)	(1.9)
Gain on share repurchase	-	(0.6)
Amortization of transaction costs	-	0.3
Shares outstanding at December 31, 2015	27,311,587	\$270.8

The Company had two outstanding share purchase agreements with WP Investments II B.V. (Warburg Pincus) and other parties for a total equity commitment of \$272.6 million, which was fully drawn during the year ended December 31, 2015.

Participating shares accumulate an "Aggregate Conversion Entitlement", which is equal to the original purchase price of \$10 per participating share and a cumulative amount which accrues daily and compounds quarterly on the calendar quarter, at an annual rate of 6%. The original agreements stipulated that after February 28, 2019, the conversion entitlement continues to accrue daily and compound quarterly, but at an annual rate of 14%.

On September 3, 2015, the shareholder agreement was amended and restated. These amendments created a new class of shares, Special Incentive Shares which are discussed below, revised the purchase price for new issues of participating share to \$7.50 per participating share, and amended the accretion entitlement on the participating

shares purchased prior to September 3, 2015. Accretion on participating shares purchased at \$10 per participating share up until the amendment date of September 3, 2015 was halted at a value of \$35.7 million and no longer accumulates past September 3, 2015. However, this amount has not been accrued within the financial statements because the payment of this entitlement is contingent on participating shareholders converting to common shares and that conversion can occur at the option of the holders, without fully settling the 6% cumulative conversion entitlement. The amendment did not result in a substantial modification qualitatively or quantitatively. Therefore, no adjustment has been made to the carrying value of the participating share balance.

On September 3, 2015, 297,785 participating shares were issued at a price of \$7.50 per participating share. These participating shares also accumulate an "Aggregate Conversion Entitlement", which is equal to the original purchase price of \$7.50 per participating share and a cumulative amount which accrues daily and compounds quarterly on the calendar quarter, at an annual rate of 6%. As at December 31, 2015, the aggregate conversion entitlement relating to the shares issued under the amended share agreement dated September 3, 2015 would be \$nil.

Participating shares were repurchased during 2015 at a value of \$7.50 per participating share, the difference between the original investment of \$10 per participating share and the \$7.50 repurchase was recognized within general and administrative expense on the statement of income/(loss) and comprehensive income/(loss).

Transaction costs of \$2.1 million have been deducted from the proceeds of the participating shares and \$1.1 million of amortization has been recognized against that amount to date. These costs are amortized using the effective interest method over the term of the equity commitment.

Special Incentive Shares

On September 3, 2015, a new class of shares, Special Incentive Shares, were created. Special Incentive Shares refer to 3,417,993 shares authorized for issuance to the management team, employees, independent directors and other persons. At December 31, 2015, 1,301,700 Special Incentive Shares are outstanding, all of which were issued in September at a price of \$0.01/share.

Holders of the Special Incentive Shares do not have any voting rights. Special Incentive Shares are convertible into common shares under certain circumstances at the occurrence of a liquidation event. This conversion calculation is determined in accordance with a prescribed formula and is not solely based on share value. Therefore these instruments are not considered to be share-based payments, but rather are considered an employee benefit. The impact of this determination is that the Special Incentive Shares will be recognized in the financial statements when the Company has a reliable estimate of the obligation and a present obligation of payment exists related to these Special Incentive Shares, both of which rely on a liquidation event.

In the event of a qualified public offering or liquidity event, the holders of Special Incentive Shares will, as a group, have a preferred entitlement (in preference to the holders of common shares) to receive an amount equal to 10% of the amount by which the value of the Company (based on the offering price for the Company's shares or the amount of liquidation proceeds, as applicable) exceeds the number of participating shares which are outstanding at that time multiplied by \$7.50. The amount which holders of Special Incentive Shares are, as a group, entitled to receive, is capped at 10% of the amount equal to the accretion on participating shares issued prior to September 3, 2015, plus the accretion on participating shares issued on or after September 3, 2015, plus the number of participating shares issued prior to September 3, 2015 multiplied by \$2.50.

11. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares, of which 2,899,456 have been reserved for issue and 2,474,500 are issued and outstanding at December 31, 2015. The common shares

issued subsequent to the 2012 share capital reorganization are referred to as "Founders' Shares". The Company is also authorized to issue an unlimited number of participating shares, which are issuable in series.

b) Voting

All holders of Participating Shares and Common Shares shall vote as a single class, and are entitled to one vote per share.

c) Common Shares and share-based compensation

Founders' Shares

Founders' Shares refer to 2,899,456 Common Shares that have been reserved for issuance to the management team, employees, independent directors and other persons at a price that is the greater of \$0.01 per share or \$0.08 per share, depending on the tranche, and the fair market value of such shares at the time of issuance.

There are two tranches of Founder's Shares. As at December 31, 2015, there are a total of 2,474,500 Founders' Shares issued and outstanding, 1,693,200 from Tranche 1 and 781,300 from Tranche 2. A summary of Founders' Shares outstanding at December 31, 2015 is as follows:

	Number of Founders' Shares
Founders' Shares outstanding at January 1, 2014	2,417,000
Founders' Shares granted	83,500
Founders' Shares cancelled	(483,500)
Founders' Shares outstanding at December 31, 2014	2,017,000
Founders' Shares granted	1,211,700
Founders' Shares cancelled	(754,200)
Founders' Shares outstanding at December 31, 2015	2,474,500

The Founders' Shares are subject to both time and dollar vesting conditions:

- 1) Time Vesting – the Founders Shares are 20% vested on the date the shares are purchased and vest at 20% per each anniversary of the issue date, and therefore are fully time-vested four years after they were issued, provided the shareholder is still employed by Endurance or is serving as a director of the Company.
- 2) Dollar Vesting – each Founder's Share will vest in relation to the total subscription proceeds received by the Company on the issuance of Participating Shares.

	Number of Founders' Shares
Unvested	1,338,380
Vested	1,136,120
Founders' Shares outstanding at December 31, 2015	2,474,500

As at December 31, 2015, both Tranche 1 and Tranche 2 Founders' Shares are dollar vested.

The Founders' Shares are measured at their intrinsic value, which is the fair value of the shares less the price paid to acquire them.

Stock Option Plan

The amended and restated Share Agreement, as further amended September 3, 2015, provides for a stock option plan, which permits the Company to issue a total of 3,936,531 stock options to existing and future

employees, as well as to independent directors of the company. The options expire seven years from the grant date and are subject to both time and dollar vesting requirements, as described below:

- 1) Time Vesting – the options are 20% vested on grant date of the option and vest at 20% per each anniversary of the grant date, and therefore are fully time-vested four years after the grant date.
- 2) Dollar Vesting – each option will become exercisable in relation to the total subscription proceeds received by the Company on the sale of Participating Shares.

There are two tranches of stock options. Tranche 1 consists of 2,297,088 options which were authorized under the share purchase agreement dated February 28, 2012, as further amended on September 3, 2015, and Tranche 2 consists of 1,639,443 options authorized under the share purchase agreement dated June 27, 2013, as further amended on September 3, 2015. Options from both Tranche 1 and Tranche 2 are dollar vested at December 31, 2015.

A summary of options outstanding at December 31, 2015 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	3,129,402	\$5.53
Options granted	1,369,780	\$6.16
Options forfeited	(1,127,146)	\$5.23
Options outstanding, end of the year	3,372,036	\$5.49

At December 31, 2015 there were 3,372,036 options outstanding, with a weighted average price of \$5.49 and a weighted average contractual life of 5.4 years. At December 31, 2015, 1,444,189 options have vested.

A summary of options outstanding at December 31, 2014 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	2,471,500	\$6.25
Options granted	1,192,402	\$2.68
Options forfeited	(534,500)	\$2.51
Options outstanding, end of the year	3,129,402	\$5.53

At December 31, 2014 there were 3,129,402 options outstanding, with a weighted average price of \$5.53 and a weighted average contractual life of 4.8 years. At December 31, 2014, 1,192,215 options have vested.

Share based payments

The fair value of the Company's share-based payments is estimated on the date of grant using the Black Scholes option pricing model. Calculation inputs include the grant date share price, exercise price, expected volatility, weighted average expected life of the option, expected dividends and the risk-free interest rate. The following assumptions were used to determine the fair value of the in-the-money options granted at a strike price of \$0.74 in 2014 and 2015: expected volatility of 70%, a weighted average risk-free interest rate of 1.50%, an expected forfeiture rate of 5.0%, an expected life of four years and a share price of \$0.74 per common share. The following assumptions were used to determine the fair value of the in-the-money options granted at a strike price of \$0.59 in 2014 and 2015: expected volatility of 70%, a weighted average risk-free interest rate of 1.00% - 1.50%, an expected forfeiture rate of 5.0%, an expected life of four years and a share price of \$0.59 per common share.

The Company recorded non-cash share based payment expense of \$nil for the period ended December 31, 2015 (2014 - \$0.1 million). The non-cash share based payments expense is recognized as a general and administrative expense. Stock based compensation relating to stock options is recorded within contributed surplus.

12. FINANCIAL RISK MANAGEMENT

a) Overview:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk;
- market risk; and
- commodity price risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers.

The maximum credit exposure at December 31, 2015 is the carrying amount of cash and cash equivalents, accounts receivable and the fair value of the financial instrument commodity contracts.

Accounts receivable:

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's accounts receivable are comprised of balances due from customers and joint venture partners in the petroleum and natural gas business, and commodity taxes receivable from the Canadian government.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any collection issues with its oil and natural gas marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint venturers; however, the Company does have the ability to withhold production from joint venturers in the event of non-payment.

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such a provision for doubtful accounts has not been recorded at December 31, 2015 and December 31, 2014. As at December 31, 2015 17% of accounts receivable outstanding were over 30 days old. The majority of these non-current receivables are due from joint venture partners, which typically take between one to three months to

collect. As at December 31, 2015, 13% of accounts receivable outstanding were over 90 days old. Half of the accounts receivable balance over 90 days old relates to credits with the BC government, which will be drawn down throughout 2016 as royalties payable are applied against this balance.

The Company is also exposed to credit risk from counterparties to the financial instrument commodity contracts. This risk is mitigated by the fact that the Company only enters into financial instrument commodity contracts with banks that are part of our syndicated credit facility, all of which are Schedule I Canadian banks or at the Alberta Treasury Branch. Given these creditworthiness of the counterparties, management does not expect any counterparty to fail to meet its obligations.

Cash and cash equivalents:

The Company limits its exposure to credit risk by only investing in liquid securities and only with Schedule I Canadian banks or at the Alberta Treasury Branch. Given these creditworthiness of the counterparties, management does not expect any counterparty to fail to meet its obligations.

c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditure.

The Company's financial liabilities are comprised of accounts payable and accrued liabilities, bank debt, deferred premium payable and participating shares. The carrying amount of accounts payable and accrued liabilities and the current portion of bank debt are due in 2016. Refer to note 2 for further discussions of liquidity risk.

d) Market risk:

Interest rate risk:

The Company is exposed to interest rate risk on its bank debt as changes in interest rates would have impacted the Company's cash flows.

Interest rate sensitivity

As at December 31, 2015, a 0.5% increase or decrease in interest rates would impact finance expense annually by approximately \$1.1 million.

e) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand.

To mitigate exposure to commodity price risk, the Company has entered into financial derivative instruments. The natural gas swaps entered into are for settlement in 2015 – 2019 and fix the AECO price the Company receives for its natural gas production. In 2013, the Company entered into deferred premium put options on production from July 1, 2013 to June 30, 2017 and sold offsetting deferred premium call options on production from July 1, 2013 to June 30, 2017. The Company does not apply hedge accounting for any of these contracts.

Put options give the Company the right but not the obligation to receive the contract price each month. The premium for this right is not paid upfront but paid each month during the term of the contract. The call options sold by the Company give the counterparty the right but not the obligation to purchase natural gas at the contract price each month. The premium for selling this right is not received up front but will be received each month during the term of the contract. As the future put and call for the term of the commodity contracts is known, they have been disclosed separately on the financial statements as deferred premium payable and deferred premium receivable, respectively.

The estimated fair value of the financial instrument commodity contracts is determined based on the discounted amount the Company would receive or pay on the outstanding contracts if settled at the reporting date. A summary of the Company's unrealized risk management positions is as follows:

<i>(millions of Canadian dollars, unless otherwise noted)</i>	Volume (gj/d)	Strike Price (per gj)	Deferred Put/Call Premium (per gj)	Fair value asset/(liability)
<i>Natural gas swaps</i>				
January 2016 to March 2018	4,000	\$2.93 - \$2.94	N/A	1.0
January 2016 to June 2016	10,000	\$3.43	N/A	2.0
January 2016 to July 2016	2,000	\$2.81	N/A	0.2
January 2016 to December 2016	5,600	\$2.90-\$3.43	N/A	1.1
July 2016 to September 2016	25,000	\$3.26-\$3.65	N/A	2.2
July 2016 to December 2016	4,000	\$3.39	N/A	0.7
July 2016 to June 2017	12,000	\$3.53	N/A	4.0
October 2016 to December 2016	19,000	\$3.51 - \$3.92	N/A	1.8
January 2017	4,000	\$3.75	N/A	0.1
January 2017 to March 2017	19,000	\$3.72-\$4.15	N/A	2.0
January 2017 - September 2017	5,000	\$3.01-\$3.03	N/A	0.4
January 2017 to December 2017	3,500	\$3.50-\$3.65	N/A	1.1
April 2017 to June 2017 ²	2,500	\$3.33	N/A	0.2
April 2017 to August 2017 ³	15,000	\$3.55	N/A	2.1
July 2017 to September 2017 ³	20,000	\$3.32-\$3.39	N/A	1.3
July 2017 to December 2017 ²	5,000	\$3.48	N/A	0.7
August 2017 to July 2018 ⁴	5,000	\$3.00	N/A	0.3
September 2017 to December 2017	3,000	\$3.40	N/A	0.2
October 2017 to December 2017 ³	21,500	\$3.17 - \$3.61	N/A	1.3
October 2017 to September 2018 ⁴	5,000	\$2.95	N/A	0.2
January 2018 to March 2018 ³	11,000	\$3.03 - \$4.12	N/A	0.5
January 2018 to June 2018 ²	8,000	\$3.19-\$3.20	N/A	0.4
January 2018 to December 2018 ³	14,500	\$3.60-\$4.22	N/A	4.2
April 2018 to August 2018 ²	5,000	\$3.65	N/A	0.7
July 2018 to December 2018 ²	5,000	\$3.15-\$3.18	N/A	0.2
August 2018 to July 2019 ²	2,000	\$3.13	N/A	0.1
September 2018 to December 2018 ²	3,000	\$3.64	N/A	0.2
October 2018 to December 2018 ²	5,000	\$3.02	N/A	-
November 2018 to October 2019 ²	5,000	1	N/A	-
January 2019 to March 2019 ²	14,000	\$3.31 - \$4.19	N/A	0.7
January 2019 to June 2019 ²	5,000	\$3.35-\$3.37	N/A	0.2
January 2019 to September 2019 ²	1,000	\$3.93	N/A	0.2
April 2019 to August 2019 ²	9,000	\$3.75	N/A	1.0
July 2019 to December 2019 ²	4,000	\$3.31-\$3.33	N/A	0.1
				\$31.4

<i>Deferred premium put options¹</i>				
January 2016 to June 2016	53,000	\$3.65	\$0.495	8.2
July 2016 to June 2017	12,000	\$3.71	\$0.765	1.7
				\$9.9
<i>Deferred premium call options</i>				
January 2016 to June 2016	21,300	\$3.65	\$0.270	0.8
January 2016 to June 2016	28,400	\$3.65	\$0.260	1.0
January 2016 to June 2016	7,100	\$3.65	\$0.273	0.2
January 2016 to June 2016	14,200	\$3.65	\$0.290	0.5
July 2016 to June 2017	12,000	\$3.71	\$0.480	1.8
				\$4.3
				\$45.6

¹This instrument is a natural gas basis swap. The strike price is in US dollars and is determined based on the AECO NIT MMBTU/USD monthly reference price less \$0.5975.

² These instruments were unwound in March 2016, please see note 2

³ These instruments were partially unwound in March 2016, please see note 2

⁴ These instruments 2018 contract period were unwound in March 2016, please see note 2

The following table summarizes the premiums payable and receivable on the put and call options over the following two years:

<i>(millions of Canadian dollars)</i>	2016	2017
Premiums payable on put options	\$6.5	\$1.7
Premiums receivable on call options	3.7	1.0
Net payment	(\$2.8)	(\$0.7)

f) Fair Value of Financial Instruments:

Financial assets and liabilities carried at fair value are required to be classified into a hierarchy that prioritizes the inputs used to measure the fair value. In Level 1, the fair value of assets and liabilities are based upon quoted market prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Assets and liabilities in Level 2 are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 3 fair value measurements are based on unobservable inputs for the asset or liability. As at December 31, 2015, the only asset or liability measured at fair value on a recurring basis was the Company's financial instrument commodity contracts, which were valued using level 2 inputs.

The following table provides fair value measurement information for financial assets and liabilities as at December 31, 2015 and December 31, 2014. The carrying value of accounts receivables, accounts payables and accrued liabilities, bank debt and deferred premium payable and receivable included in the statement of financial position approximate fair value due to the shorter-term nature of those instruments. These assets and liabilities are not included in the table below.

<i>(millions of Canadian dollars)</i>	Carrying Amount	Fair Value	Fair Value Measured Using		
			Quoted Prices in Active Markets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015					
Financial assets (liabilities)					
Financial instrument					
commodity contracts	\$45.6	\$45.6	-	\$45.6	-
December 31, 2014					
Financial assets (liabilities)					
Financial instrument					
commodity contracts	\$34.1	\$34.1	-	\$34.1	-

g) Capital management:

The Company's objectives when managing capital are to deploy capital to provide an appropriate return on investment to its shareholders and to maintain financial flexibility in order to preserve its ability to meet financial obligations. The Company's approach to capital management is to maintain a capital structure consistent with the objectives and to be flexible enough to respond to changes in external economic conditions and to the risk characteristics of the Company's assets.

The Company considers its capital structure to include the bank credit facility, participating shares, share capital, and working capital.

The Company's capital structure may change by the issuance of additional share capital, issuance of additional bank debt or by adjusting capital expenditure plans. Capital management includes preparation of a business plan which is reviewed by the Board of Directors. It also includes a comparison of capital spending plans to the Company's level of working capital to ensure it can meet its objectives.

13. INCOME TAXES

The combined federal and provincial statutory corporate tax rate was 26.3% in 2015 (25.8% in 2014). This rate is made up of a 15% federal tax rate plus a blended provincial rate for both Alberta and British Columbia.

A reconciliation of the difference between the statutory Canadian and provincial income tax rate and the provision for deferred income tax is presented below:

<i>(millions of Canadian dollars)</i>	Year Ended December 31, 2015	Year Ended December 31, 2014
Gain/(loss) before income tax	(\$71.3)	\$28.3
Combined federal and provincial tax rate	26.3%	25.8%
Expected income tax expense/(reduction)	(\$18.7)	\$7.3
Effect on income tax of:		
Non-deductible items & other	0.9	0.1
Changes in deferred tax benefit not recognized	21.6	
Changes in enacted tax rates and other	-	0.1
Deferred income tax expense/(reduction)	\$3.8	\$7.5

The temporary differences associated with the recognized income tax liability at December 31, 2015 and the recognized income tax asset at December 31, 2014 are as follows:

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
Financial instruments commodity contracts	(\$11.0)	(\$6.6)
Property, plant & equipment and E&E	(21.4)	(50.4)
Decommissioning obligation	28.6	48.8
Non-capital losses	3.8	10.2
Other	-	0.1
Net deferred tax (liability)/asset	\$-	\$2.1

The Company had approximately \$495.5 million (\$465.5 million in 2014) of deductions available for income tax purposes at December 31, 2015. Included in this amount, the Company had non-capital losses of approximately \$97.1 million (\$39.5 million in 2014) available to shelter future taxable income as at December 31, 2015. These losses expire between 2028 and 2035.

A deferred tax asset has not been recognized in respect of the following temporary differences:

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
Non-capital losses	\$82.4	\$-
Share issue costs and other	1.0	-
	\$83.4	\$-

Deferred tax assets have not been recognized in respect of the above items because it is not probable that future taxable profits will be available to utilize the benefits.

The following table reflects the movement in temporary differences during the year:

<i>(millions of Canadian dollars)</i>	Balance December 31, 2013	Balance in loss	Balance December 31, 2014	Balance in loss	Flow- through Shares	Business Combination	Balance December 31, 2015
Asset/(liability):							
Capital assets carrying value in excess of tax	(\$51.1)	\$0.7	(\$50.4)	\$29.4	(\$0.1)	(\$0.3)	(\$21.4)
Decommissioning obligations	47.8	1.0	48.8	(20.5)	-	0.3	28.6
Non-capital losses	6.1	4.1	10.2	(8.0)	-	1.6	3.8
Financial instruments	6.9	(13.5)	(6.6)	(4.4)	-	-	(11.0)
Other	-	0.1	0.1	(0.3)	-	0.2	-
	\$9.7	(\$7.6)	\$2.1	(\$3.8)	(\$0.1)	\$1.8	\$-

14. COMMITMENTS

The Company has the following contractual obligations and commitments:

<i>(millions of Canadian dollars)</i>	2016	2017	2018	2019	2020
Transportation commitments	\$22.9	\$19.1	\$14.6	\$2.4	\$2.0
Office lease commitments	2.0	1.7	1.5	1.1	0.3
	\$24.9	\$20.8	\$16.1	\$3.5	\$2.3

Transportation commitments relate to fixed term transportation contracts on the TransCanada and Westcoast pipeline systems.

15. RELATED PARTIES

a) Key Management Personnel

The Company considers its key management personnel to be the members of the executive team and members of the Board of Directors. The aggregate payroll expense of key management personnel and members of the Board of Directors was as follows:

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
Salaries and bonuses	\$0.8	\$1.0
Benefits and other personnel costs ¹	1.1	2.1
Directors' fees and expenses ²	0.6	0.2
Total compensation	\$2.5	\$3.3

¹Costs related to share repurchases for members of the executive team are included as other personnel costs for the years ended December 31, 2015 and 2014.

²Costs related to share repurchases for members of the Board of Directors are included within Directors' fees and expenses for the year ended December 31, 2015.



MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

The following analysis should be read in conjunction with Endurance Energy Ltd.'s ("Endurance" or the "Company") audited financial statements for the year ended December 31, 2015 with accompanying notes. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which is Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises. While the Company is not a publicly accountable enterprise, management has determined that Endurance's financial statements would be more useful to investors if they are prepared on a comparable basis to publicly accountable enterprises.

Basis of Presentation - *The financial data presented below has been prepared in accordance with International Accounting Standards Board ("IASB") most current International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS").*

The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, condensate is converted to a million cubic feet equivalent ("mcf_e") using on a barrel of liquid equal to six thousand cubic feet of natural gas unless otherwise stated.

Forward-Looking Statements - *Certain information set forth in the document, including management's assessment of Endurance's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Endurance's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external resources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Endurance's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements.*

Q4 2015 Highlights

<i>(millions except per share amounts)</i>	Three Months Ended			Year Ended		
	December 31,			December 31,		
	2015	2014	% Change	2015	2014	% Change
Financial						
Production revenue	\$ 22.3	\$ 42.5	-48%	\$ 104.5	\$ 202.2	-48%
Hedging settlements	6.8	(2.1)	424%	24.0	(23.5)	202%
	\$ 29.1	\$ 40.4	-28%	\$ 128.5	\$ 178.7	-28%
Funds flow from operations ¹	\$ 6.2	\$ 13.7	-55%	\$ 29.1	\$ 66.8	-56%
per PSS ²	\$ 0.23	\$ 0.60	-62%	\$ 1.11	\$ 2.96	-62%
per PSS adjusted for conversion entitlement	\$ 0.20	\$ 0.54	-63%	\$ 0.98	\$ 2.66	-63%
Net income (loss)	\$ (13.3)	\$ 27.7	-148%	\$ (75.1)	\$ 20.8	-461%
per PSS	\$ (0.49)	\$ 1.21	-140%	\$ (2.88)	\$ 0.92	-413%
per PSS adjusted for conversion entitlement	\$ (0.43)	\$ 1.09	-139%	\$ (2.53)	\$ 0.83	-405%
Weighted average PSS outstanding	27.3	22.9	19%	26.1	22.6	15%
PSS outstanding at period end	27.3	25.3	8%	27.3	25.3	8%
Accrued PSS conversion entitlement	\$ 35.7	\$ 24.7	45%	\$ 35.7	\$ 24.7	45%
Weighted average PSS						
outstanding adjusted for conversion entitlement	30.9	25.4	22%	29.7	25.1	18%
Net debt ³	\$ 225.9	\$ 216.8	4%	\$ 225.9	\$ 216.8	4%
Capital expenditures	\$ 3.6	\$ 37.1	-90%	\$ 53.4	\$ 101.7	-47%
Exploration and development	\$ 3.6	\$ 36.6	-90%	\$ 52.1	\$ 97.0	-46%
Acquisitions	\$ -	\$ 0.5	-100%	\$ 1.3	\$ 4.7	-72%
Operating						
Wells drilled	1	8	-88%	7	16	-56%
Natural gas volumes (mmcf/day)	91.2	112.4	-19%	102.0	115.7	-12%
Condensate volumes (bbls/day)	520	607	-14%	568	613	-7%
Production volumes (mmcfe/day)	94.3	116.1	-19%	105.4	119.4	-12%
Natural gas price per mcf	\$ 2.35	\$ 3.69	-36%	\$ 2.47	\$ 4.26	-42%
Hedging settlements	0.81	(0.20)	505%	0.64	(0.54)	219%
	\$ 3.16	\$ 3.49	-9%	\$ 3.11	\$ 3.72	-16%
Condensate price per bbl	\$ 55.43	\$ 77.08	-28%	\$ 60.09	\$ 98.95	-39%
Netbacks (per mcf)						
Production revenue	\$ 2.58	\$ 3.98	-35%	\$ 2.72	\$ 4.64	-41%
Hedging settlements	0.79	(0.20)	495%	0.63	(0.54)	217%
Royalties	0.01	(0.16)	106%	(0.03)	(0.28)	-89%
Transportation system charges	(0.72)	(0.53)	-36%	(0.64)	(0.54)	-19%
Production expenses	(1.17)	(1.22)	4%	(1.28)	(1.25)	-2%
Operating Netbacks	\$ 1.49	\$ 1.87	-20%	\$ 1.40	\$ 2.03	-31%
General and administrative (cash)	(0.41)	(0.35)	-83%	(0.36)	(0.26)	-38%
Interest expense	(0.34)	(0.25)	-64%	(0.28)	(0.24)	-17%
Cash netback per mcf	\$ 0.74	\$ 1.27	-42%	\$ 0.76	\$ 1.53	-50%

¹ Funds flow from operations does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations by other entities. All references to funds flow from operations in this report are based on "Net cash used in operating activities" before changes in non-cash working capital and decommissioning expenditures.

² Participating shares which are described in Note 10 of the financial statements.

³ Net debt which is defined as drawn bank debt adjusted for working capital excluding financial instrument commodity contracts, deferred premiums payable and receivable.

Quarterly Highlights

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(millions except per share amounts)</i>	2015	2015	2015	2015	2014	2014	2014	2014
Financial								
Production revenue	\$ 22.3	\$ 24.4	\$ 28.3	\$ 29.5	\$ 42.5	\$ 47.5	\$ 55.8	\$ 56.4
Hedging settlements	6.8	5.3	6.1	5.8	(2.1)	(3.5)	(8.5)	(9.4)
	\$ 29.1	\$ 29.7	\$ 34.4	\$ 35.3	\$ 40.4	\$ 44.0	\$ 47.3	\$ 47.0
Funds flow from operations ¹	\$ 6.2	\$ 5.6	\$ 8.2	\$ 9.1	\$ 13.7	\$ 17.1	\$ 18.6	\$ 17.5
per PSS ²	\$ 0.23	\$ 0.21	\$ 0.32	\$ 0.36	\$ 0.60	\$ 0.76	\$ 0.83	\$ 0.78
per PSS adjusted for conversion entitlement	\$ 0.20	\$ 0.19	\$ 0.29	\$ 0.32	\$ 0.54	\$ 0.69	\$ 0.77	\$ 0.74
Net income (loss)	\$ (13.3)	\$ (50.7)	\$ (8.1)	\$ (3.0)	\$ 27.7	\$ 5.7	\$ 12.9	\$ (25.5)
per PSS	\$ (0.49)	\$ (1.92)	\$ (0.32)	\$ (0.12)	\$ 1.21	\$ 0.25	\$ 0.58	\$ (1.14)
per PSS adjusted for conversion entitlement	\$ (0.43)	\$ (1.69)	\$ (0.28)	\$ (0.11)	\$ 1.09	\$ 0.23	\$ 0.53	\$ (1.07)
Weighted average PSS outstanding	27.3	26.4	25.3	25.3	22.9	22.5	22.4	22.4
PSS outstanding at year end	27.3	27.3	25.3	25.3	25.3	22.5	22.4	22.5
Accrued PSS conversion entitlement	\$ 35.7	\$ 35.7	\$ 33.1	\$ 28.8	\$ 24.7	\$ 21.1	\$ 17.5	\$ 13.9
Weighted average PSS outstanding adjusted for conversion entitlement	30.9	30.0	28.6	28.2	25.4	24.6	24.2	23.8
Net debt ³	\$ 225.9	\$ 228.1	\$ 248.0	\$ 251.5	\$ 216.8	\$ 222.2	\$ 222.8	\$ 236.8
Capital expenditures	\$ 3.6	\$ 1.2	\$ 4.9	\$ 43.7	\$ 37.1	\$ 16.4	\$ 4.4	\$ 43.7
Exploration and development	3.6	(0.1)	4.9	43.7	36.6	16.6	4.3	39.4
Acquisitions	-	1.3	-	-	0.5	(0.2)	0.1	4.3
Operating								
Wells drilled	1	0	0	6	8	4	0	4
Natural gas volumes (mmcf/day)	91.2	96.9	109.5	110.8	112.4	114.9	119.7	115.9
Condensate volumes (bbbls/day)	520	526	635	578	607	606	624	615
Production volumes (mmcfe/day)	94.3	100.1	113.3	114.3	116.1	118.5	123.5	119.6
Natural gas price per mcf	\$ 2.35	\$ 2.42	\$ 2.43	\$ 2.67	\$ 3.69	\$ 4.00	\$ 4.54	\$ 4.81
Hedging settlements	0.81	0.59	0.62	0.58	(0.20)	(0.32)	(0.78)	(0.90)
	\$ 3.16	\$ 3.01	\$ 3.05	\$ 3.25	\$ 3.49	\$ 3.68	\$ 3.76	\$ 3.91
Condensate price per bbl	\$ 55.43	\$ 57.43	\$ 70.95	\$ 54.87	\$ 77.08	\$ 95.29	\$ 111.98	\$ 111.32
Netbacks (per mcf)								
Production revenue	\$ 2.58	\$ 2.65	\$ 2.74	\$ 2.87	\$ 3.98	\$ 4.36	\$ 4.97	\$ 5.24
Hedging settlements	0.79	0.57	0.60	0.56	(0.20)	(0.32)	(0.76)	(0.87)
Royalties	0.01	(0.04)	(0.05)	(0.04)	(0.16)	(0.22)	(0.35)	(0.39)
Transportation System	(0.72)	(0.65)	(0.62)	(0.58)	(0.53)	(0.53)	(0.55)	(0.54)
Production expenses	(1.17)	(1.17)	(1.31)	(1.44)	(1.22)	(1.23)	(1.19)	(1.37)
Operating Netbacks	\$ 1.49	\$ 1.36	\$ 1.36	\$ 1.37	\$ 1.87	\$ 2.06	\$ 2.12	\$ 2.07
General and administrative (cash)	(0.41)	(0.47)	(0.31)	(0.26)	(0.35)	(0.25)	(0.22)	(0.23)
Interest expense	(0.34)	(0.31)	(0.26)	(0.24)	(0.25)	(0.24)	(0.24)	(0.22)
Cash netback per mcf	\$ 0.74	\$ 0.58	\$ 0.79	\$ 0.87	\$ 1.27	\$ 1.57	\$ 1.66	\$ 1.62

¹ Funds flow from operations does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar calculations by other entities. All references to funds flow from operations in this report are based on "Net cash used in operating activities" before changes in non-cash working capital and decommissioning expenditures.

² Participating shares which are described in Note 10 of the financial statements.

³ Net debt which is defined as drawn bank debt adjusted for working capital excluding financial instrument commodity contracts, deferred premiums payable and receivable.

Production

	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
Natural gas (mmcf per day)	91.2	112.4	102.0	115.7
Condensate (bbl per day)	520	607	568	613
Mmcfe per day	94.3	116.1	105.4	119.4
Boe per day	15,721	19,344	17,568	19,900

Production for the fourth quarter of 2015 averaged 94.3 mmcf per day which was a decrease of 19% from the fourth quarter 2014 average of 116.1 mmcf per day. The decrease was mainly the result of declines in base asset production at Sierra along with a decrease as a result of re-routing Sierra gas onto the TCPL system beginning November 1, 2015. These were partially offset by production from the Company's 2014 and 2015 development programs.

Production from the Sierra area was 85.4 mmcf per day of natural gas and 509 bbls per day of condensate in the fourth quarter 2015 compared to 105.7 mmcf per day and 607 bbls per day in the fourth quarter of 2014.

Production for the year ended December 31, 2015 averaged 105.4 mmcf per day which was a decrease of 12% when compared to the year ended December 31, 2014 average of 119.4 mmcf per day. The decrease in production was mainly the result of declines in base asset production at Sierra which was only partially offset by production from the Company's 2014 and 2015 development programs.

Operating Netback

	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
<i>(per mcfe, unless otherwise stated)</i>				
Natural gas (per mcf)	\$2.35	\$3.69	\$2.47	\$4.26
Condensate (per bbl)	\$55.43	\$77.08	\$60.09	\$98.95
Production revenue	\$2.58	\$3.98	\$2.72	\$4.64
Realized hedging gains (losses)	0.79	(0.20)	0.63	(0.54)
	\$3.37	\$3.78	\$3.35	\$4.10
Royalties	0.01	(0.16)	(0.03)	(0.28)
Transportation system charges	(0.72)	(0.53)	(0.64)	(0.54)
Production expenses	(1.17)	(1.22)	(1.28)	(1.25)
	\$1.49	\$1.87	\$1.40	\$2.03

Production Revenue

Benchmark pricing	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
AECO monthly natural gas (per mcf)	\$2.64	\$4.01	\$2.75	\$4.42
AECO daily natural gas (per mcf)	\$2.46	\$3.60	\$2.68	\$4.51
AECO daily natural gas Station 2 (per mcf)	\$1.09	\$3.10	\$1.78	\$4.12
NYMEX natural gas (US\$ per mmbtu)	\$2.12	\$3.85	\$2.63	\$4.28
WTI crude oil (US\$ per bbl)	\$42.18	\$73.15	\$48.80	\$93.00

A challenging price environment continued for natural gas producers with abundant supply made worse by warm winter weather across most of North America.

The Company markets its natural gas based on a combination of the daily AECO price index, monthly AECO price index and the Station 2 index. The Station 2 index is priced at AECO, plus or minus a basis differential, and 17% of production was sold at the Station 2 index price in the fourth quarter of 2015. Also, in the fourth quarter of 2015, approximately 84% of the natural gas production was sold at the monthly AECO price index. For the year ended December 31, 2015, approximately 75% of natural gas production was sold at the monthly AECO price index and 37% of natural gas production was subject to Station 2 pricing.

During the first ten months of 2015, TransCanada Pipelines ("TCPL") conducted maintenance work on its North West pipeline segment which restricted capacity. As a result, an increased amount of natural gas volume that would have otherwise flowed on the TCPL system utilized the Westcoast system to the Station 2 index price point. The increased supply at Station 2 resulted in wider Station 2 basis differentials to the AECO index and thus weaker Station 2 prices. Various restrictions on the TCPL pipeline system were lifted in November.

Increased supply from British Columbia natural gas plays, most notably the Montney play, and limited take away capacity out of the province may keep Station 2 prices at historically high discounts to AECO prices. Beginning November 1, 2015, the Company obtained additional firm capacity on the TCPL system where natural gas is subject to AECO prices. The change has increased the unutilized transportation fees and overall transportation expenses for the Company, however to date this has been more than offset by the increase in production revenue from selling natural gas at AECO index prices instead of Station 2 index prices.

Production revenue for the fourth quarter of 2015 was \$22.3 million, excluding realized and unrealized gains on commodity contracts. This compares to \$42.5 million in the fourth quarter of 2014. Lower realized natural gas price was the most significant driver of the decrease (61%) along with lower production volumes (39%).

The Sierra area contributed \$20.9 million to the fourth quarter 2015 revenue of which \$18.3 million was from natural gas sales and \$2.6 million was from condensate sales.

Production revenue, excluding the realized and unrealized gains on commodity contracts, decreased from \$202.2 million in 2014 to \$104.5 million in 2015. The decrease was mainly the result of significantly lower commodity prices (76%) and lower production volumes (24%).

The following table highlights the Company's production revenue per unit, including realized hedging settlements for the three months and year ended December 31, 2015 and 2014:

	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
Natural gas (\$/mcf):				
Production revenue	\$2.35	\$3.69	\$2.47	\$4.26
Hedging Settlements	0.81	(0.20)	0.64	(0.54)
	\$3.16	\$3.49	\$3.11	\$3.72
Condensate (\$/bbl)	\$55.43	\$77.08	\$60.09	\$98.95
Natural Gas Equivalent (\$/mcf)				
Production revenue	\$2.58	\$3.98	\$2.72	\$4.64
Hedging Settlements	0.79	(0.20)	0.63	(0.54)
	\$3.37	\$3.78	\$3.35	\$4.10

Commodity Price Risk Management

As part of the Company's commodity price risk management strategy, it has adopted a disciplined commodity price risk management program.

The Company enters into forward contracts with established counterparties for the purpose of protecting a portion of its future revenue from the volatility of natural gas prices. The Company's Board of Directors has approved commodity price risk management limits of the following:

Time Period	Percentage of Proved Developed Producing Reserves, Net of Royalties
1st Year	80%
2nd Year	70%
3rd Year	60%
4th Year	30%
5th Year	15%

Included in the Company's results for the three months ended December 31, 2015 is realized gains on commodity contracts of \$6.8 million (\$0.79 per mcf). This compares to realized losses of \$2.1 million (\$0.20 per mcf) in the fourth quarter of 2014. For the year ended December 31, 2015 the Company had realized gains on commodity contracts of \$24.0 million (\$0.63 per mcf). This compares to realized losses of \$23.5 million (\$0.54 per mcf) in 2014.

Forward financial commodity contracts (puts, calls and swaps) are recorded on the statement of financial position at fair value at the end of each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of income and comprehensive income. Included in the Company's results for the three months and year ended December 31, 2015 is an unrealized gain on forward commodity contracts of \$7.9 million and \$16.4 million respectively.

The mark to market value of the Company's hedge positions at December 31, 2015 was \$42.1 million.

In 2013, the Company purchased deferred premium put options as well as sold deferred premium call options. A put option gives the Company the right but not the obligation to receive the contract price each month. The premium for this right is not paid upfront but paid each month during the term of the contract. A call option gives the counterparty the right but not the obligation to purchase natural gas at the contract price each month. The premium for this right is not received upfront but will be received each month during the term of the contract. A deferred premium payable of \$8.2 million for the purchase of the put options is recognized as a liability on the statement of financial position as at December 31, 2015. A deferred premium receivable of \$4.7 million for the selling of the call options is recognized in assets.

A summary of the deferred premium put and call options purchased and sold by the Company are contained in the table below.

Term	Daily Volume	Average Strike Price	Deferred Put Premium	Deferred Call Premium
January 1, 2016 - June 30, 2016	53,000 GJ	\$3.65/GJ	\$0.495/GJ	\$0.27/GJ
July 1, 2016 - June 30, 2017	12,000 GJ	\$3.71/GJ	\$0.765/GJ	\$0.48/GJ

The result of the combination of the purchase of the deferred premium put options and the sale of the deferred premium call options is a synthetic fixed price swap at \$3.65 per gj until June 30, 2016 and \$3.71 per gj from July 1, 2016 to June 30, 2017. After consideration of the difference in the put premiums payable and the call options receivable, the Company will realize a fixed natural gas price of \$3.43 per gj on these volumes.

The Company also entered into several fixed price swap contracts extending out to 2019. An average annual summary of the Company's forward commodity price contracts (puts, calls and swaps) as at December 31, 2015 are listed below:

	2016	2017	2018	2019
Average daily volume in GJ's	67,295	52,416	36,527	13,636
Price per GJ	\$3.36	\$3.43	\$3.41	\$3.60

In addition, the Company has physically fixed the basis differential between Station 2 to AECO at \$0.37/gj on 5,000 gj/day for 2016. The mark to market value of this contract was approximately \$0.8 million on December 31, 2015.

As discussed in Note 2a of the financial statements, Going concern, the Company monetized a number of forward commodity price contracts for proceeds of \$12.2 million in March 2016. Proceeds of which were used to repay bank indebtedness. An updated average annual summary of the Company's forward commodity price contracts (puts, calls and swaps) as at April 1, 2016 are listed below:

	2016	2017	2018	2019
Average daily volume in GJ's	67,295	43,645	2,219	-
Price per GJ	\$3.36	\$3.42	\$2.99	-

The Company is not currently entering into any additional commodity hedges and won't likely enter into any until it has resolved the situation with the banking syndicate as discussed in note 2a of the financial statements.

Royalties

<i>(millions of Canadian dollars, unless otherwise stated)</i>	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
Royalties	\$(0.1)	\$1.7	\$1.2	\$12.2
% of production revenue before realized gains / losses on commodity contracts	(0.3)%	4.0%	1.1%	6.1%
% of production revenue after realized gains/ losses on commodity contracts	(0.2)%	4.2%	1.0%	6.8%
\$ per mcfe	\$(0.01)	\$0.16	\$0.03	\$0.28

The Company pays Crown or freehold royalties as well as gross overriding royalties on certain properties to the owners of the mineral rights with whom leases are held. Royalty expense decreased significantly from \$1.7 million in the fourth quarter of 2014 to \$(0.1) million in the same period of 2015. The primary reason for the decrease were lower realized natural gas prices and a one-time Crown royalty credit of approximately \$0.3 million related to an adjustment to the Company's Producer Cost of Service ("PCOS") deduction for the periods of February 2014 to August 2015. PCOS is designed to credit producers for the cost of transporting the Crown's share of natural gas within British Columbia from the wellhead to the inlet of the processing plant.

Royalty expense decreased from \$12.2 million in 2014 to \$1.2 million in 2015. The decrease was again mainly the result of lower realized natural gas prices.

The majority of the Company's production is in BC and subject to BC Crown royalties. BC Crown royalties vary with well production rates, natural gas prices and well depth. Many of the Sierra wells with a spud date before April 1, 2014 qualify for the BC government's marginal and ultra-marginal royalty programs which reduce the BC Crown royalty otherwise payable.

In March 2014, the BC Government introduced a new deep well royalty program. The new program is a royalty credit program for horizontal wells shallower than 1,900 meters with a total depth of at least 2,500 meters. There is a minimum royalty of six percent before allowable deductions for capital costs and cost of service. The royalty credits range from a minimum of \$0.4 million per well to \$2.8 million per well based on total well depth. The new program applies to wells spud after March 31, 2014. All wells drilled in 2014 and 2015 will qualify for this program.

Condensate revenue attracts a flat 20% crown royalty after transportation expense.

Transportation System Expenses

<i>(millions of Canadian dollars, unless otherwise stated)</i>	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
Natural gas	\$5.5	\$4.8	\$21.2	\$19.6
Condensate	0.7	0.9	3.3	3.9
Total transportation system expense	\$6.2	\$5.7	\$24.5	\$23.5
Natural gas (\$/mcf)	\$0.66	\$0.46	\$0.57	\$0.46
Condensate (\$/bbl)	\$14.78	\$15.74	\$16.03	\$17.48
Total (\$/mcfe)	\$0.72	\$0.53	\$0.64	\$0.54

Transportation system expenses relate to sales gas pipeline charges on the TransCanada and Westcoast pipeline systems, raw gas transmission and treatment fees on the Westcoast system, and condensate trucking and pipeline charges.

Transportation system expense of \$6.2 million increased in the fourth quarter of 2015 when compared to the fourth quarter of 2014 transportation system expense of \$5.7 million. The increase is primarily the result of the Company obtaining additional firm capacity on the TCPL system beginning November 1, 2015 as discussed in the Production Revenue section.

In the year ended December 31, 2015 and 2014 transportation system expense was \$24.5 million and \$23.5 million, respectively. The increase is primarily the result of increased contractual raw gas transmission and treatment fees on the Westcoast system that became effective April 1, 2015 and the Company obtaining additional firm capacity on the TCPL system beginning November 1, 2015.

As a result of the Sierra property acquisition, the Company became a party to fixed term transportation and treatment contracts on both the TransCanada and Westcoast pipeline systems. The fixed term of these contracts vary from less than one year up to five years. Financial commitments associated with these contracts are disclosed in Note 14 of the financial statements.

The Company had natural gas transportation system commitments, on volumes in excess of production, for all of 2015 resulting in unutilized transportation system fees. Included in the Company's transportation system expense for the three months and year ended December 31, 2015 is unutilized transportation system fees of \$2.6 million and \$6.4 million respectively.

Production Expenses

	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
Production Expenses	\$10.1	\$13.0	\$49.1	\$54.5
\$ per mcfe	\$1.17	\$1.22	\$1.28	\$1.25

The Company undertook a review of its field operations in the first quarter of 2015. One of the results of this review, which was finalized and implemented in the second quarter, was a restructuring of field staff. In order to reduce costs, while improving efficiencies and accountability, a number of field positions were eliminated.

Production expenses of \$10.1 million for the fourth quarter of 2015 represents a decrease of 22% when compared to \$13.0 million for the fourth quarter of 2014. Field restructuring was the primary reason for the decrease along with other cost saving initiatives, most notably road and lease maintenance.

Production expenses of \$49.1 million for the year ended December 31, 2015 represents a decrease of 10% when compared to \$54.5 million for 2014. The decrease was again mainly the result of field restructuring along with other cost saving initiatives.

General and Administrative

<i>(millions of Canadian dollars, unless otherwise stated)</i>	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2015	2014	2015	2014
G&A	\$3.4	\$3.8	\$13.5	\$11.9
Capitalized G&A and overhead recoveries	(0.2)	(0.1)	(0.9)	(0.2)
Net G&A expenses	\$3.2	\$3.7	\$12.6	\$11.7
\$ per mcfe	\$0.37	\$0.35	\$0.33	\$0.27

General and administrative (“G&A”) expenses decreased to \$3.2 million in the fourth quarter of 2015 from \$3.7 million in the same period of 2014. The Company incurred employee severance costs in the fourth quarter of 2014. G&A expenses on a per mcfe basis increased as production levels decreased. The Company capitalized \$0.2 million of G&A expenses in the fourth quarter of 2015 compared to \$0.1 million in the same period of 2014.

General and administrative expenses increased to \$12.6 million in 2015 compared to \$11.7 million in 2014. The increase is primarily due to termination payments in September for executives that left the Company as part of the management restructuring that occurred with the acquisition of StonePoint Energy Inc. G&A expenses on a per mcfe basis also increased as production levels decreased and expenses increased. The Company capitalized \$0.9 million of G&A expenses in 2015 compared to \$0.2 million in 2014.

Depletion, Depreciation and Amortization

The Company recognized depletion, depreciation and amortization (“DD&A”) expense of \$10.8 million in the fourth quarter of 2015, compared with \$14.5 million in the fourth quarter of 2014. On a per unit basis, DD&A expense was \$1.24 per mcfe for the fourth quarter of 2015 and \$1.36 per mcfe for the same period of 2014. The DD&A expense recognized in the fourth quarter of 2015 was comprised primarily of depletion expense, with minor amounts relating to depreciation of office assets.

For the year ended December 31, 2015 the Company recognized DD&A expense of \$55.4 million compared to \$64.0 million in 2014. The main reason for the decrease was a reduction in the decommissioning obligation recorded in September 2015 (discussed in more detail below under Decommissioning Obligation). On a per unit basis, DD&A expense was \$1.44 per mcfe for the year ended December 31, 2015 and \$1.47 per mcfe for 2014.

The Company uses total proved plus probable reserves as its depletion base in the calculation of depletion.

Impairment

IFRS requires an impairment test to assess the recoverable value of Property, Plant & Equipment (“PP&E”) within each cash generating unit (“CGU”) when there is indication of impairment. The significant decline in natural gas and liquid prices was an indication of impairment resulting in impairment tests at December 31, 2015 being performed.

The impairment tests performed during 2015 were based on value in use methodology, determined using expected future cash flows generated from proven and probable reserves using pre-tax discount rates between 10% and 15%. The impairment calculations performed for the Sierra CGU at December 31, 2015 were based on a reserves report that was prepared externally by GLJ Petroleum Consultants, whereas the impairment calculations

for the Alberta CGU were based on an internal reserve evaluations. As a result, there was an impairment of \$44.3 million on the Sierra CGU for the year ended December 31, 2015.

The Company expensed \$3.4 million relating to expired undeveloped land in 2015 compared to \$2.3 million in 2014. The undeveloped land expiries are comprised of \$1.0 million in the Colorado CGU and \$2.4 million in the Sierra CGU. Additionally, E&E assets were further impaired by \$6.7 million, primarily relating to leases on undeveloped land that the Company plans to let expire in 2016.

As a result, the Company has recognized an impairment expense of \$54.4 million in 2015 compared to \$20.3 million in 2014.

Goodwill

As a result of the StonePoint Energy acquisition which closed on September 3, 2015, the Company recorded \$3.9 million of goodwill in 2015. The carrying amount of goodwill was allocated to the Alberta and Sierra CGU's. Please see note 6 of the financial statements.

For the purposes of impairment testing, goodwill is allocated to the CGU's to which it relates and tested annually, or if indications of impairment exist. At September 30, 2015, the Company determined that the carrying amount of the Alberta and Sierra CGU's exceeded their recoverable amounts and a goodwill impairment charge of \$3.9 million was recorded.

Finance Expense

Finance expense was comprised of the following:

<i>(millions of Canadian dollars)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Interest and fees on bank facility	\$ 3.0	\$ 2.6	\$ 10.9	\$ 10.4
Finance expense (cash-based)	\$ 3.0	\$ 2.6	\$ 10.9	\$ 10.4
Accretion on decommissioning obligation	\$ 0.7	\$ 1.2	\$ 3.0	\$ 5.0
Amortization of PSS issue costs ¹	0.1	0.1	0.3	0.3
Amortization of bank facility issue costs	0.2	0.2	0.9	0.9
Finance expense (non-cash based)	\$ 1.0	\$ 1.5	\$ 4.2	\$ 6.2
Finance expense	\$ 4.0	\$ 4.1	\$ 15.1	\$ 16.6

¹ PSS refers to participating shares

Finance expense for the three months and year ended December 31, 2015 decreased when compared to the same periods in 2014. The decrease is primarily due to an accretion expense adjustment that was recorded in the third quarter of 2015 (discussed in more detail below under Decommissioning Obligation). The effective rate on bank debt outstanding at December 31, 2015 was 5.2 percent compared to 4.6 percent at December 31, 2014.

At December 31, 2015 there remains \$1.0 million of participating share issue costs and \$0.7 million of bank facility issue costs to amortize. These costs are amortized using the effective interest method, which is a method of allocating interest expense over the relevant period by utilizing the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument.

Deferred Taxes

Deferred income taxes arise from differences between the accounting and tax basis of assets and liabilities. The estimate of deferred taxes is based on the current tax status of the Company, enacted legislation and management's best estimates of future events. The Company has not paid cash taxes in either 2015 or 2014. The Company has recognized a deferred income tax expense of \$3.8 million in the year ended December 31, 2015. The expense is a result of the Company not recognizing a deferred tax asset at December 31, 2015 as its not probable that the unrecognized asset will be realized.

The following tax pool balances are estimated at December 31, 2015 and 2014:

<i>(millions of Canadian dollars)</i>	Maximum Annual Deduction		2015		2014
Canadian oil and gas property expense (COGPE)	10%	\$	259.9	\$	288.6
Canadian development expense (CDE)	30%		78.0		75.0
Canadian exploration expense (CEE)	100%		16.6		10.9
Undepreciated capital cost (UCC)	25%		41.8		48.9
Non-capital losses (NCL)	100%		97.1		39.6
Share issue costs	Various		2.1		2.5
		\$	495.5	\$	465.5

The Company has \$2.1 million of successor COGPE pools, \$0.4 million of successor CDE pools and \$1.5 million of successor CEE pools as a result of the StonePoint acquisition which are not included in the table above and have not been recognized due to the low likelihood of use.

Capital Expenditures

Capital expenditures by type for the three months and year ended December 31, 2015 and 2014 were as follows:

By Area (millions of Canadian dollars)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Sierra				
Land and lease rentals	\$ 0.3	\$ 0.4	\$ 1.9	\$ 2.2
Property acquisitions, net	-	0.5	-	4.7
Seismic	0.1	1.7	0.4	2.6
Drilling and completions	1.9	32.5	37.1	64.7
Recompletions	-	(0.3)	-	22.3
Abandonments	-	0.1	0.9	0.1
Facility and other	0.6	-	1.5	-
Equipping and tie-ins	-	2.0	8.3	3.4
Sierra capital expenditures	\$ 2.9	\$ 36.9	\$ 50.1	\$ 100.0
Alberta				
Land and lease rentals	\$ 0.1	\$ 0.1	\$ 0.5	\$ 0.5
StonePoint acquisition	-	-	\$ 1.3	-
Drilling, completions, equipping and tie-ins	-	0.1	-	0.4
Abandonments	0.3	-	0.3	0.2
Alberta capital expenditures	\$ 0.4	\$ 0.2	\$ 2.1	\$ 1.1

By Type (millions of Canadian dollars)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Land and lease rentals	\$ 0.4	\$ 0.5	\$ 2.4	\$ 2.7
Property acquisitions, net	-	0.5	-	4.7
StonePoint acquisition	-	-	1.3	-
Seismic	0.1	1.7	0.4	2.6
Drilling and completions	1.9	32.5	37.1	64.8
Recompletions	-	(0.3)	-	22.3
Abandonments	0.3	0.1	1.2	0.3
Facility and other	0.6	-	1.5	-
Equipping and tie-ins	-	2.1	8.3	3.7
Office	0.3	-	1.2	0.6
Total capital expenditures	\$ 3.6	\$ 37.1	\$ 53.4	\$ 101.7

Capital expenditures were \$3.6 million in the fourth quarter of 2015 compared to \$37.1 million in the same period of 2014. During the fourth quarter of 2015, the Company began drilling one well in the Sierra area that was completed and tied-in during the first quarter of 2016. During the fourth quarter of 2014, the Company drilled

eight wells in the Sierra area. Two of the wells were completed, tied-in and brought on production in late December, while the remaining six wells were brought on production in January 2015.

Capital expenditures were \$53.4 million and \$101.7 million in the year ended December 31, 2015 and 2014, respectively. During 2015, the Company drilled seven wells and completed ten, four of which were drilled in the fourth quarter of 2014. In addition, the Company tied-in and brought on production twelve wells in 2015. In 2014, the Company drilled sixteen and recompleted ten wells in the Sierra area. Ten of the wells drilled were completed, tied-in and brought on production in 2014 while the remaining six were brought on production in January 2015. Eight of the Sierra recompletions were brought back on production in 2014.

Reserves

The Company had external reserve evaluations prepared by GLJA Petroleum Consultants (GLJA) for the Sierra properties and internal evaluations for the Alberta properties at yearend 2015, the results of which are presented in the tables below. The portion of the evaluation conducted by GLJA represented 94 percent of the proved plus probable reserves and 96 percent of the associated future net revenue discounted at 10 percent. The remaining 6 percent of the proved plus probable reserves and 4 percent of the associated net revenue discounted at 10 percent were evaluated internally by Endurance technical staff. The evaluation was prepared in accordance with the reserve definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook. Product pricing used in the evaluation is based on the January 1, 2016 GLJA price forecast.

Company Reserves at December 31, 2015

The Company's working interest, before royalties payable (Gross)

	Natural Gas (mmcf)	Oil & Natural Gas Liquids (mboe)	Natural Gas Equivalent (mmcfe)	Oil Equivalent (mboe)
Proved Producing	258,564	1,490	267,502	44,584
Proved Non Producing	13,281	72	13,714	2,286
Total Proved Developed	271,845	1,562	281,216	46,869
Proved Undeveloped	118,312	961	124,077	20,679
Total Proved	390,157	2,523	405,293	67,549
Probable Additional	309,949	1,805	320,778	53,463
Total Proved + Probable	700,106	4,327	726,070	121,012

Numbers may not add due to rounding

The Company's working interest, after deduction of royalties payable (Net)

	Natural Gas (mmcf)	Oil & Natural Gas Liquids (mboe)	Natural Gas Equivalent (mmcfe)	Oil Equivalent (mboe)
Proved Producing	253,423	1,190	260,561	43,427
Proved Non Producing	12,649	61	13,012	2,169
Total Proved Developed	266,071	1,249	273,573	45,595
Proved Undeveloped	118,374	774	123,019	20,503
Total Proved	384,445	2,024	396,591	66,098
Probable Additional	301,661	1,448	310,347	51,725
Total Proved + Probable	686,106	3,472	706,938	117,823

Numbers may not add due to rounding

Net Present Value of Future Net Revenue – Forecast Prices and Costs, Before Tax

(millions of Canadian dollars)	Discounted at				
	0%	5%	10%	15%	20%
Proved Producing	472.1	359.8	287.1	237.7	202.5
Proved Non Producing	20.6	15.8	12.4	9.9	8.1
Total Proved Developed	492.7	375.7	299.5	247.6	210.6
Proved Undeveloped	168.1	79.7	33.8	8.5	(6.2)
Total Proved	660.8	455.4	333.3	256.1	204.4
Probable Additional	601.7	279.4	134.7	62.5	23.7
Total Proved + Probable	1,262.5	734.8	468.0	318.6	228.1

Numbers may not add due to rounding

January 1, 2016 GLJA Price Forecasts

Year	Henry Hub	AECO	WTI	Edmonton
	Nymex Natural (\$US/mmbtu)	Natural Gas (\$C/mmbtu)		Pentanes Plus (\$C/mmbtu)
2016	2.60	2.76	44.00	60.79
2017	3.10	3.27	52.00	68.48
2018	3.30	3.45	58.00	73.17
2019	3.50	3.63	64.00	78.91
2020	3.70	3.81	70.00	84.30
2021	3.90	3.90	75.00	88.12
2022	4.10	4.10	80.00	94.41
2023	4.30	4.30	85.00	100.71
2024	4.50	4.50	87.88	103.24
2025	4.60	4.60	89.63	105.30
Escalate thereafter at	2%/year	2%/year	2%/year	2%/year

Reconciliation of Reserves

<i>(Mmcf)</i>	Proved Producing	Total Proved	Total Proved plus Probable
January 1, 2015 Opening Balance	306,219	477,452	760,709
Production	(38,831)	(38,831)	(38,831)
Acquisitions	206	7,876	16,326
Additions & extensions	5,842	5,158	6,437
Technical revisions	(5,941)	(46,263)	(18,368)
December 31, 2015 Closing Balance	267,495	405,392	726,273

Numbers may not add due to rounding

Land Holdings

The following table details the Company's land holdings in its core areas at December 31, 2015:

<i>(000s of acres of land)</i>	British Columbia			Alberta			Total		
	Gross	Net	Average Working Interest	Gross	Net	Average Working Interest	Gross	Net	Average Working Interest
Developed Land	534	509	95%	102	86	84%	636	595	94%
Undeveloped Land	668	595	89%	45	41	91%	713	636	89%
Total Land	1,202	1,104	92%	147	127	86%	1,349	1,231	91%

Decommissioning Obligation

The Company has recognized a provision for decommissioning obligations of \$109.0 million at December 31, 2015 compared to \$189.5 million at December 31, 2014.

Drilling activities in 2015 along with the StonePoint acquisition which closed on September 3, 2015 added \$2.1 million to the decommissioning obligation. The Company also recognized \$3.0 million in accretion expense and settled \$0.6 million of abandonment liabilities in 2015. In addition, changes in estimates related to the timing and amounts used for abandonment costs reduced the liability by \$85.0 million.

In 2015, the Company completed a review of the abandonment and reclamation estimates used in calculating the decommissioning obligation. The review consisted of taking a multi-well project approach and the efficiencies that could be achieved using this method, along with incorporating the significant reductions in service and labour costs as a result of declines in commodity prices. Findings from the review led to a decrease in the abandonment and reclamation estimates used in the Sierra and Alberta CGU's and subsequently a \$75.0 million reduction to the decommissioning obligation was recorded in the year.

Liquidity and Capital Resources

Share Purchase Agreements

The Company has entered into two share purchase agreements with WP Investments II B.V. (“Warburg Pincus”) and other investors. On February 28, 2012, the Company completed a reorganization of its share capital and entered into the first share purchase agreement with an equity commitment of \$150.9 million. On June 27, 2013 the Company entered into the second share purchase agreement for \$102.1 million on substantially the same terms as the first equity commitment. Participating shares were issued at \$10 per share under both agreements.

On June 27, 2013 the remaining commitment under the first share purchase agreement was drawn and \$50.8 million under the second agreement was drawn. Proceeds were used to partially fund the Sierra property acquisition. On July 9, 2013 the Company issued 0.2 million participating shares to other investors for proceeds of \$2.1 million under the second share purchase agreement. In addition, on December 18, 2014 the Company issued 3.0 million participating shares to other investors for proceeds of \$30.0 million under the second purchase agreement.

On August 12, 2015, the Company issued 1.9 million participating shares for total proceeds of \$19.2 million, satisfying the remaining commitment under the second purchase agreement. Proceeds were used to fund ongoing operations and pay down bank debt.

Commensurate with the closing of the StonePoint Energy acquisition, the Company issued 0.3 million participating shares to new management for total proceeds of \$2.2 million (\$7.50 per participating share), discussed further in Note 10 of the financial statements.

As of December 31, 2015, the Company had 2.5 million founders’ shares, 1.3 million special incentive shares and 27.3 million participating shares outstanding. The participating shares are classified as a long-term liability on the statement of financial position.

Bank Facility and Going Concern

The Company has syndicated credit facilities with six financial institutions totaling \$245 million. \$200 million, which is inclusive of a \$15 million operating facility, is extendible and revolving with a stated term date of June 27, 2018. \$45 million is non-revolving and coming due over the following schedule: \$12.5 million on March 31, 2016, \$12.5 million on May 31, 2016 and \$20 million on November 30, 2016. These credit facilities are secured by a floating charge debenture covering all the assets of the Company and a general security agreement. As at December 31, 2015 \$231.2 million was drawn in borrowings and \$2.0 million drawn as letters of credit on these facilities.

Weakened natural gas prices in 2015 and into the first few months of 2016 have eroded the value of the Company’s oil and natural gas reserves and the borrowing base upon which the Company’s credit facilities are secured.

On March 31, 2016 the Company made the \$12.5 million payment that was due from funds realized by monetizing fixed price commodity contracts. The syndicate has informed the Company that a borrowing base shortfall exists. Under the terms of the credit facility, the Company has 90 days to eliminate the borrowing base shortfall upon receipt of notice. The Company has hired legal and financial advisors to assist and the parties are currently reviewing possible alternatives to eliminate the shortfall. The current forward price curves, which are a key input

in determining the revised borrowing base, combined with the syndicate's notice that a borrowing shortfall exists, create a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern and repay the remaining amounts owing during 2016 and to eliminate any borrowing base shortfall.

The Company has \$231.2 million of bank debt at December 31, 2015. Net debt which is defined as drawn bank debt adjusted for working capital excluding financial instrument commodity contracts was \$225.9 million at December 31, 2015. The Company was in compliance with all bank agreement covenants as of December 31, 2015.

<i>(millions of Canadian dollars)</i>	Quarter End Comparison				
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Bank debt	\$ 231.2	\$ 231.3	\$ 246.7	\$ 234.6	\$ 198.9
Unamortized bank finance costs	0.7	0.9	1.2	1.2	1.4
Drawn bank debt	\$ 231.9	\$ 232.2	\$ 247.9	\$ 235.8	\$ 200.3
Working capital (surplus) deficit ¹	(6.0)	(4.1)	0.1	15.7	16.5
Net debt	\$ 225.9	\$ 228.1	\$ 248.0	\$ 251.5	\$ 216.8
Credit facility borrowing limit ²	\$ 245.0	\$ 260.0	\$ 260.0	\$ 260.0	\$ 260.0

¹ Current assets less current liabilities excluding deferred rent obligation and tenant inducements, financial instrument commodity contracts, deferred premiums payable and receivable.

² Reduced to \$232.5 million on March 31, 2016.

Accounting Pronouncements

In July 2014 the IASB issued a revised financial instruments (IFRS 9) standard, to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9. The new standard presents a reformed approach to hedge accounting, a new model for classification and measurement of financial instruments and a forward-looking 'expected loss' impairment model. The revised standard is effective for annual periods beginning on or after January 1, 2018, and is required to be applied retrospectively with some exemptions. Early adoption is permitted.

Revenue from contracts with customers (IFRS 15) was issued by the IASB in May 2014. The new standard is required to be applied to annual periods beginning on or after January 1, 2018, with early adoption permitted. This standard specifies how and when revenue will be recognized, and provides a principles based five-step model to apply to all contracts with customers. The new standard will replace the construction contracts (IAS 11) and revenue (IAS 18) standards.

In January 2016 the IASB issued the complete leases (IFRS 16) standard, to replace the current lease standard (IAS 17). The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019, with early adoption permitted. Under the new standard, a single recognition and measurement model will apply for lessees which will require recognition of assets and liabilities for most leases.

The Company is currently assessing the impacts of the new standard and the amendments to existing standards at this time.

Critical Accounting Estimates

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The Company's assets are aggregated into cash generating units ("CGU" or "CGUs") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgments in regards to geographical proximity, geology, production profile, shared infrastructure and similar exposure to market risk and materiality. The Company reviews the composition of its CGUs at each reporting date to evaluate whether any changes are required due to new facts and circumstances.

Judgments are required to assess when impairment indicators exist and impairment testing is required.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

Management's classification of the participating shares as a liability on the statement of financial position is a critical judgment made after analyzing the terms and conditions of the participating shares in light of the applicable IFRS standards.

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, which affect the measurement of balances and transactions in these financial statements.

The assessment of recoverable quantities of proved and probable reserves include estimates regarding production profile, future commodity prices, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to assess the reservoirs and their anticipated recoveries of reserves. The economic, geological and other technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum and natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if producibility is supported by either production or conclusive formation tests. The Company's

petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

The Company estimates the decommissioning obligations for the Company's wells and associated facilities. In most instances, the removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal costs, and the estimate of the liability specific discount rate to determine the present value of these cash flows.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired.

The Company's estimate of the fair value of share-based compensation is dependent upon estimates of the expected terms to exercise, the value of the Company's common shares on the grant date, interest rates and expected volatility in these variables.

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward natural gas prices and the volatility in those prices.

The deferred tax asset is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

Assessment of Business Risks

The following are the primary risks associated with the Company's business operations. The risks are similar to those affecting others in the oil and gas business in the Western Canadian Sedimentary Basin. These risks include:

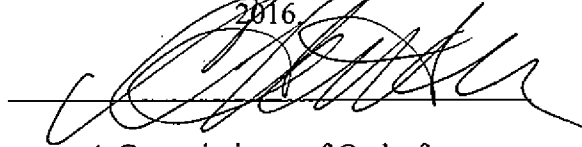
- Commodity price risk and currency exchange risk associated with fluctuations in natural gas and liquids prices;
- Financial risk associated with the availability of debt and equity capital to fund capital expenditures;
- Operational risk associated with production of natural gas and associated liquids;
- Reserve risk in respect to quantity and quality of recoverable reserves;
- Environmental and safety risk associated with well operations and production facilities;
- Change in government regulations relating to royalties, income taxes, incentive programs, operating practices and environmental protection; and

The Company attempts to mitigate these risks through:

- Hiring technically competent staff and consultants and adhering to good oilfield operating procedures with senior management oversight;
- Developing properties with a low cost structure to maximize natural gas and liquids netbacks and reduce impact of commodity price cycles;
- Ongoing forecasting for capital development and liquidity requirements;
- Conducting rigorous reviews of all capital projects and property acquisitions;
- Appointing reputable advisors with respect to financial statement audit, tax and legal matters;

- Monitoring pricing trends and ensuring creditworthiness of counterparties to marketing arrangements;
- Utilizing fixed price swaps, deferred premium put options and other financial instruments to minimize the impact on revenue resulting from volatility in natural gas prices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that changes may have on the Company;
- Carrying industry standard insurance to cover losses; and
- Establishing and maintaining adequate resources to fund decommissioning obligations.

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

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

A Commissioner of Oaths for
the Province of Alberta

CAROLE J. HUNTER

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

ENDURANCE ENERGY LTD.
as Borrower

- and -

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

- and -

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

- with -

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

- and with -

**BANK OF MONTREAL
as Syndication Agent**

CREDIT AGREEMENT

Dated as of June 27, 2013

TABLE OF CONTENTS

	Page
ARTICLE 1	
INTERPRETATION.....	2
1.1 Definitions.....	2
1.2 Headings.....	2
1.3 Subdivisions.....	2
1.4 Number.....	2
1.5 Statutes, Regulations and Rules.....	2
1.6 Permitted Encumbrances.....	2
1.7 Monetary References.....	3
1.8 Time.....	3
1.9 Governing Law.....	3
1.10 Enurement.....	3
1.11 Amendments.....	3
1.12 No Waiver.....	3
1.13 Severability.....	3
1.14 Inconsistency.....	4
1.15 Accounting Terms and Principles.....	4
1.16 Changes in GAAP or Accounting Policies.....	4
1.17 Schedules.....	5
ARTICLE 2	
CONDITIONS PRECEDENT TO INITIAL ACCOMMODATION	6
2.1 Conditions Precedent To Initial Accommodation.....	6
ARTICLE 3	
CREDIT FACILITIES	8
3.1 Syndicated Facility.....	8
3.2 Operating Facility.....	8
3.3 Extension of Termination Date.....	8
3.4 Maturity Date.....	10
3.5 Repayment.....	10
3.6 Prepayment and Cancellation.....	12
3.7 Use of Proceeds.....	12
3.8 Types of Accommodation.....	13
3.9 Interest and Fees.....	13

TABLE OF CONTENTS
(continued)

	Page
3.10 Borrowing Base.....	16
3.11 Swap Facilities.....	18
 ARTICLE 4	
SECURITY	18
4.1 Security.....	18
4.2 Sharing of Security.....	19
4.3 Exclusivity of Remedies.....	20
4.4 Form of Security.....	20
4.5 After-Acquired Property.....	20
4.6 Undertaking to Grant Fixed Charge Security.....	21
4.7 Further Assurances.....	21
4.8 Security for Swap Documents with Former Lenders.....	22
4.9 Discharge of Security.....	23
 ARTICLE 5	
FUNDING AND OTHER MECHANICS	23
5.1 Funding of Accommodations.....	23
5.2 Notice Provisions.....	23
5.3 Irrevocability.....	24
5.4 Rollover or Conversion of Accommodations.....	24
5.5 Agent's Obligations.....	24
5.6 Lenders' Obligations.....	25
5.7 Failure of a Lender to Fund.....	25
5.8 Exchange Rate Fluctuations.....	27
5.9 Excess Relating to LIBOR and Bankers' Acceptances.....	27
5.10 Number of Advances.....	28
 ARTICLE 6	
DRAWDOWNS UNDER THE CREDIT FACILITIES.....	28
6.1 Conditions Precedent to Drawdown.....	28
6.2 Hostile Acquisitions.....	29
6.3 Adjustment of Rateable Portion.....	29
6.4 Subsequent Drawdowns.....	29
6.5 Prepayment.....	30

TABLE OF CONTENTS
(continued)

	Page
ARTICLE 7	
CALCULATION OF INTEREST AND FEES	30
7.1 Records	30
7.2 Payment of Interest and Fees	30
7.3 Payment of BA Stamping Fee	31
7.4 Calculation and Payment of Letter of Credit Fees.....	31
7.5 Debit Authorization	31
7.6 Conversion to Another Currency.....	31
7.7 Maximum Rate of Return	32
7.8 Waiver of <i>Judgment Interest Act</i> (Alberta).....	32
7.9 Deemed Reinvestment Not Applicable.....	32
ARTICLE 8	
GENERAL PROVISIONS RELATING TO LIBOR BASED LOANS	32
8.1 General.....	32
8.2 Early Termination of LIBOR Periods.....	33
8.3 Inability to Make LIBOR Based Loans	33
ARTICLE 9	
BANKERS' ACCEPTANCES	34
9.1 General.....	34
9.2 Terms of Acceptance by the Lenders	34
9.3 BA Equivalent Loans.....	35
9.4 General Mechanics	36
9.5 Escrowed Funds.....	37
9.6 Market Disruption.....	37
ARTICLE 10	
LETTERS OF CREDIT	38
10.1 General.....	38
10.2 Form of Letter of Credit.....	41
10.3 Procedure for Issuance of Letters of Credit.....	41
10.4 Payment of Amounts Drawn Under Letters of Credit.....	42
10.5 Obligations Absolute	42
10.6 Indemnification; Nature of Lenders' Duties.....	43
10.7 Default, Maturity, etc.....	44

TABLE OF CONTENTS
(continued)

	Page
10.8 Escrowed Funds.....	45
10.9 Records.....	45
 ARTICLE 11	
INCREASED COSTS	46
11.1 Changes in Law.....	46
11.2 Changes in Circumstances.....	47
11.3 Application of Sections 11.1 and 11.2.....	47
11.4 Limitations on Additional Compensation.....	48
11.5 Taxes.....	48
 ARTICLE 12	
REPRESENTATIONS AND WARRANTIES OF THE BORROWER.....	48
12.1 Representations and Warranties.....	48
12.2 Acknowledgement.....	52
12.3 Survival and Inclusion.....	52
 ARTICLE 13	
COVENANTS OF THE BORROWER.....	53
13.1 Affirmative Covenants.....	53
13.2 Reporting Covenants.....	56
13.3 Negative Covenants.....	58
 ARTICLE 14	
DESIGNATION OF RESTRICTED SUBSIDIARIES.....	60
14.1 Designation of Non-Restricted/Restricted Subsidiaries.....	60
 ARTICLE 15	
REORGANIZATION.....	61
15.1 Successor Entity.....	61
 ARTICLE 16	
EVENTS OF DEFAULT	62
16.1 Event of Default.....	62
16.2 Remedies.....	64
16.3 Attorney in Fact.....	65
16.4 Application of Proceeds.....	65

TABLE OF CONTENTS
(continued)

	Page
16.5 Set Off.....	66
 ARTICLE 17	
CONFIDENTIALITY.....	66
17.1 Non-Disclosure.....	66
17.2 Exceptions.....	67
17.3 Permitted Disclosures by the Agent or the Lenders.....	67
 ARTICLE 18	
ASSIGNMENT.....	67
18.1 Assignment of Interests.....	67
18.2 Assignment by the Lenders.....	68
18.3 Effect of Assignment.....	68
18.4 Participations.....	68
 ARTICLE 19	
ADMINISTRATION OF THE CREDIT FACILITY.....	69
19.1 Authorization and Action.....	69
19.2 Remittance of Payments.....	70
19.3 Redistribution of Payment.....	70
19.4 Duties and Obligations.....	71
19.5 Prompt Notice to the Lenders.....	72
19.6 Agent and Agent Authority.....	72
19.7 Lenders' Credit Decisions.....	72
19.8 Indemnification.....	73
19.9 Successor Agent.....	73
19.10 Taking and Enforcement of Remedies.....	74
19.11 Reliance Upon Agent.....	74
19.12 Agent May Perform Covenants.....	75
19.13 No Liability of Agent.....	75
19.14 Nature of Obligations under this Agreement.....	75
19.15 Lender Consent.....	75
19.16 Departing Lenders.....	76
 ARTICLE 20	
MISCELLANEOUS.....	77
20.1 Notices.....	77

TABLE OF CONTENTS
(continued)

	Page
20.2 Telephone Instructions.....	78
20.3 No Partnership, Joint Venture or Agency.....	78
20.4 Judgment Currency.....	79
20.5 Environmental Indemnity of Borrower.....	79
20.6 General Indemnity.....	80
20.7 Further Assurances.....	81
20.8 Waiver of Law.....	81
20.9 Attornment and Waiver of Jury Trial.....	81
20.10 Interest on Payments in Arrears.....	81
20.11 Payments Due on Banking Day.....	82
20.12 Anti-Money Laundering Legislation.....	82
20.13 Expenses.....	83
20.14 Whole Agreement.....	83
20.15 Counterparts.....	83

CREDIT AGREEMENT

THIS AGREEMENT is dated as of June 27, 2013,

BETWEEN:

ENDURANCE ENERGY LTD.
as Borrower

- and -

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

- and -

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

- with -

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

- and with -

**BANK OF MONTREAL
as Syndication Agent**

PREAMBLE:

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

AGREEMENT:

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

**ARTICLE 1
INTERPRETATION**

1.1 Definitions.

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

1.2 Headings.

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

1.3 Subdivisions.

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

1.4 Number.

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

1.5 Statutes, Regulations and Rules.

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

1.6 Permitted Encumbrances.

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

1.7 Monetary References.

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

1.8 Time.

Time will be of the essence of the Loan Documents.

1.9 Governing Law.

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

1.10 Enurement.

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

1.11 Amendments.

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

1.12 No Waiver.

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

1.13 Severability.

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

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

1.14 Inconsistency.

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

1.15 Accounting Terms and Principles.

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

1.16 Changes in GAAP or Accounting Policies.

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

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

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

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

1.17 Schedules.

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

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

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

ARTICLE 2

CONDITIONS PRECEDENT TO INITIAL ACCOMMODATION

2.1 Conditions Precedent To Initial Accommodation.

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

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

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

ARTICLE 3
CREDIT FACILITIES

3.1 Syndicated Facility.

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

3.2 Operating Facility.

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

3.3 Extension of Termination Date.

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

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

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

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

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

3.4 Maturity Date.

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

3.5 Repayment.

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

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

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

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

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

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

3.6 Prepayment and Cancellation.

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

3.7 Use of Proceeds.

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

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

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

3.8 Types of Accommodation.

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

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

(collectively, the "Accommodations").

3.9 Interest and Fees.

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

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

Pricing Table

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

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

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

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

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

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

3.10 Borrowing Base.

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

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

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

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

3.11 Swap Facilities.

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

ARTICLE 4 SECURITY

4.1 Security.

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

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

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

4.2 Sharing of Security.

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

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

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

4.3 Exclusivity of Remedies.

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

4.4 Form of Security.

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

4.5 After-Acquired Property.

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

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

4.6 Undertaking to Grant Fixed Charge Security.

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

4.7 Further Assurances.

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

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

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

4.8 Security for Swap Documents with Former Lenders.

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

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

4.9 Discharge of Security.

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

ARTICLE 5

FUNDING AND OTHER MECHANICS

5.1 Funding of Accommodations.

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

5.2 Notice Provisions.

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

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

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

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

5.3 Irrevocability.

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

5.4 Rollover or Conversion of Accommodations.

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

5.5 Agent's Obligations.

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

5.6 Lenders' Obligations.

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

5.7 Failure of a Lender to Fund.

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

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

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

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

5.8 Exchange Rate Fluctuations.

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

5.9 Excess Relating to LIBOR and Bankers' Acceptances.

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

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

5.10 Number of Advances.

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

ARTICLE 6

DRAWDOWNS UNDER THE CREDIT FACILITIES

6.1 Conditions Precedent to Drawdown.

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

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

6.2 Hostile Acquisitions.

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

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

6.3 Adjustment of Rateable Portion.

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

6.4 Subsequent Drawdowns.

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

6.5 Prepayment.

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

ARTICLE 7

CALCULATION OF INTEREST AND FEES

7.1 Records.

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

7.2 Payment of Interest and Fees.

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

- (c) Interest Act (Canada). For the purposes of the *Interest Act* (Canada) and any other applicable Laws which may hereafter regulate the calculation or computation of interest on borrowed funds, the annual rates of interest and fees applicable to Canadian Prime Rate Loans, U.S. Base Rate Loans, BA Advances and Letters of Credit, respectively, are the rates as determined hereunder multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest or stamping fee is payable and divided by 365.

- (d) LIBOR Based Loans. Interest on LIBOR Based Loans will accrue and be calculated but not compounded daily and be payable at the end of each applicable LIBOR Period, provided that, where the LIBOR Period exceeds 3 months, interest will be calculated and payable every 3 months during the term of the LIBOR Period and on the last day of the applicable LIBOR Period. Interest on LIBOR Based Loans will be calculated on the basis of the actual number of days in each LIBOR Period divided by 360. For the purposes of the *Interest Act* (Canada) and any other applicable Laws, the annual rates of interest applicable to LIBOR Based Loans are the rates as determined hereunder multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest is payable and divided by 360.

7.3 Payment of BA Stamping Fee.

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

7.4 Calculation and Payment of Letter of Credit Fees.

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

7.5 Debit Authorization.

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

7.6 Conversion to Another Currency.

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

7.7 Maximum Rate of Return.

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

7.8 Waiver of Judgment Interest Act (Alberta).

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

7.9 Deemed Reinvestment Not Applicable.

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

ARTICLE 8

GENERAL PROVISIONS RELATING TO LIBOR BASED LOANS

8.1 General.

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

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

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

8.2 Early Termination of LIBOR Periods.

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

8.3 Inability to Make LIBOR Based Loans.

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

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

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

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

ARTICLE 9 BANKERS' ACCEPTANCES

9.1 General.

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

9.2 Terms of Acceptance by the Lenders.

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

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

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

9.3 BA Equivalent Loans.

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

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

9.4 General Mechanics.

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

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

9.5 Escrowed Funds.

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

9.6 Market Disruption.

If:

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

then:

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

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

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

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

ARTICLE 10 LETTERS OF CREDIT

10.1 General.

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

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

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

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

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

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

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

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

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

10.2 Form of Letter of Credit.

Each Letter of Credit to be issued hereunder shall:

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

10.3 Procedure for Issuance of Letters of Credit.

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

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

10.4 Payment of Amounts Drawn Under Letters of Credit.

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

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

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

10.5 Obligations Absolute.

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

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

10.6 Indemnification; Nature of Lenders' Duties.

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

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

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

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

10.7 Default, Maturity, etc.

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

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

10.8 Escrowed Funds.

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

10.9 Records.

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

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

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

ARTICLE 11
INCREASED COSTS

11.1 Changes in Law.

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

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

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

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

11.2 Changes in Circumstances.

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

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

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

11.3 Application of Sections 11.1 and 11.2.

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

11.4 Limitations on Additional Compensation.

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

11.5 Taxes.

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

ARTICLE 12

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

12.1 Representations and Warranties.

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

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

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

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

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

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

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

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

12.2 Acknowledgement.

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

12.3 Survival and Inclusion.

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

ARTICLE 13
COVENANTS OF THE BORROWER

13.1 Affirmative Covenants.

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

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

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

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

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

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

13.2 Reporting Covenants.

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

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

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

13.3 Negative Covenants.

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

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

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

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

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

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

ARTICLE 14

DESIGNATION OF RESTRICTED SUBSIDIARIES

14.1 Designation of Non-Restricted/Restricted Subsidiaries.

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

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

ARTICLE 15 REORGANIZATION

15.1 Successor Entity.

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

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

ARTICLE 16
EVENTS OF DEFAULT

16.1 Event of Default.

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

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

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

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

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

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

16.2 Remedies.

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

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

16.3 Attorney in Fact.

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

16.4 Application of Proceeds.

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

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

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

16.5 Set Off.

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

ARTICLE 17 CONFIDENTIALITY

17.1 Non-Disclosure.

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

17.2 Exceptions.

Section 17.1 does not apply to information:

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

17.3 Permitted Disclosures by the Agent or the Lenders.

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

ARTICLE 18

ASSIGNMENT

18.1 Assignment of Interests.

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

18.2 Assignment by the Lenders.

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

18.3 Effect of Assignment.

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

18.4 Participations.

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

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

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

ARTICLE 19

ADMINISTRATION OF THE CREDIT FACILITY

19.1 Authorization and Action.

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

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

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

19.2 Remittance of Payments.

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

19.3 Redistribution of Payment.

Each Lender agrees that, subject to Section 16.4:

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

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

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

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

19.4 Duties and Obligations.

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

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

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

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

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

19.5 Prompt Notice to the Lenders.

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

19.6 Agent and Agent Authority.

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

19.7 Lenders' Credit Decisions.

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

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

19.8 Indemnification.

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

19.9 Successor Agent.

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

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

19.10 Taking and Enforcement of Remedies.

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

19.11 Reliance Upon Agent.

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

19.12 Agent May Perform Covenants.

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

19.13 No Liability of Agent.

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

19.14 Nature of Obligations under this Agreement.

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

19.15 Lender Consent.

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

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

19.16 Departing Lenders.

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

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

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

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

ARTICLE 20 MISCELLANEOUS

20.1 Notices.

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

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

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

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

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

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

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

ENDURANCE ENERGY LTD.

Suite 400, 444 5th Avenue S.W.

Calgary, Alberta

T2P 2T8

Facsimile: (587) 233-0761

Attention: Vice President and Chief Financial Officer

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

20.2 Telephone Instructions.

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

20.3 No Partnership, Joint Venture or Agency.

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

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

20.4 Judgment Currency.

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

20.5 Environmental Indemnity of Borrower.

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

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

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

20.6 General Indemnity.

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

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

20.7 Further Assurances.

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

20.8 Waiver of Law.

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

20.9 Attornment and Waiver of Jury Trial.

The Parties hereto do hereby irrevocably:

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

20.10 Interest on Payments in Arrears.

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

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

20.11 Payments Due on Banking Day.

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

20.12 Anti-Money Laundering Legislation.

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

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

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

20.13 Expenses.

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

20.14 Whole Agreement.

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


20.15 Counterparts.


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

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

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

**ENDURANCE ENERGY LTD., as
Borrower**

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

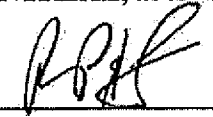
By: 
Name: Dennis Lawrence
Title: President & CEO

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

By: 
Name: Brad Kay
Title: Authorized Signatory

By: 
Name: 
Title: Graydon Falls
Authorized Signatory

BANK OF MONTREAL, as Lender

By: 


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

By: 

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

HSBC BANK CANADA, as Lender

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

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

THE TORONTO-DOMINION BANK,
as Lender

By: _____

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

By: _____


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

**ALBERTA TREASURY BRANCHES,
as Lender**

By: 

Name: Mikael Sears

Title: Director

By: 


Name: Sonia Barr

Title: Associate Director

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

By: _____

Name:


Larry Sagriff

Title:

Vice President

By: _____

Name:

Title:

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Available Cash Flow" means for any period:

(a) Consolidated EBITDA;

less, without duplication:

(b) Consolidated Interest Expense;

(c) cash Taxes applicable to such period;

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

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

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

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

"BA Discount Rate" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Discount Fraction” means:

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

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

“Distribution” means any:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**includes**” means “includes without limitation” and “**including**” means “including without limitation”.

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

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

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

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

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

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

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

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

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

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

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

“Lender BA Suspension Notice” has the meaning attributed to it in Section 9.6.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Permitted Dispositions” means any:

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

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

“Permitted Distributions” means:

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

“Permitted Encumbrances” means:

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

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

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

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

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

"Permitted Indebtedness" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDIVIDUAL COMMITMENT AMOUNTS OF LENDERS

Syndicated Facility Commitment Amount

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

Operating Facility Commitment Amount

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

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

FORM OF ENVIRONMENTAL CERTIFICATE

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

AND TO: The Lenders

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

DATE: [●]

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

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

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

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

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

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

ENDURANCE ENERGY LTD.

Per: _____
Name: [•]
Title: [•]

EXHIBIT 1
DISCLOSURE
(nil)

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

FORM OF COMPLIANCE CERTIFICATE

TO: Canadian Imperial Bank of Commerce (“CIBC”), as Agent

AND TO: The Lenders

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

DATE: [•]

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

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

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

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

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

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

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

ENDURANCE ENERGY LTD.

Per: _____

Name: [●]

Title: [●]

EXHIBIT 1

CONSOLIDATED DEBT TO EBITDA RATIO

Applicable to the Fiscal Quarter Ending _____

[attach calculations]

EXHIBIT 2

CONSOLIDATED TANGIBLE ASSETS

Applicable to the Fiscal Quarter Ending _____

[attach calculations]

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

FORM OF REQUEST FOR OFFER OF EXTENSION

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

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

DATE: [•]

Dear Sirs/Mesdames:

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

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

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

Yours very truly,

ENDURANCE ENERGY LTD.

Per: _____
Name:
Title:

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

FORM OF NOTICE OF BORROWING

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

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

DATE: [•] _____

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

Syndicated Facility:

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

Operating Facility:

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

Letters of Credit

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

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

ENDURANCE ENERGY LTD.

Per: _____

Name: [●]

Title: [●]

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

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

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

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

DATE: [•] _____

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

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

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

Type of Accommodation: _____

*Principal Amount: _____

Date of Maturity: _____

into the same Accommodation described as:

Date of Maturity: _____

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

or,

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

Type of Accommodation: _____

*Principal Amount: _____

Date of Maturity: _____

into an Accommodation described as:

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

Type of Accommodation: _____

*Principal Amount: _____

Date of Maturity: _____

effective the _____ day of _____, _____.

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

Type of Accommodation: _____

*Principal Amount: _____

Date of Maturity: _____

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

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

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

ENDURANCE ENERGY LTD.

Per: _____
Name: [•]
Title: [•]

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

LOAN PARTY INFORMATION

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

***Shareholdings of Endurance Energy Ltd.**

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

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

Notes:

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

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

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

FORM OF DESIGNATION OF RESTRICTED SUBSIDIARY

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

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

DATE: [•]

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

- or -

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

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

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

ENDURANCE ENERGY LTD.

Per: _____
Name:
Title:

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

FORM OF ASSIGNMENT

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

AND TO: The Lenders

AND TO: The Borrower

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

DATE: [●] (the "Effective Date")

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

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

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

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

[State amount in Canadian Dollars.]

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

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

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

[•]

Attention: [•]

Facsimile: [•]

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

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

[Name of Assignee]

Per: _____
Name:
Title:

* * *

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

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

[Name of Assignor]

Per: _____
Name:
Title:

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

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

Per:

Name: _____
Title:

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

Per:

Name: _____
Title:

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

EXISTING SWAPS

Deferred Premium Puts with CIBC

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

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

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

BETWEEN:

**ENDURANCE ENERGY LTD.
as Borrower**

- and -

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

- and -

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

- with -

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

- and with -

**BANK OF MONTREAL
as Syndication Agent**

PREAMBLE:

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

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

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

AGREEMENT:

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

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

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

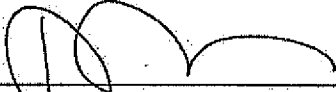
[The remainder of this page has intentionally been left blank.]

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

**ENDURANCE ENERGY LTD., as
Borrower**

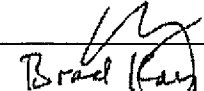


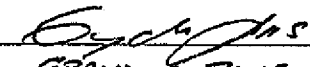
Name: Kim Schoenroth
Title: Vice President & CFO




Name: Dennis Lawrence
Title: President & CEO

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

By: 
Name: Brad Kay
Title: Authorized Signatory


By: 
Name: Graydon Falls
Title: Authorized Signatory


BANK OF MONTREAL,
as Lender

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

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

HSBC BANK CANADA, as Lender

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

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

THE TORONTO-DOMINION BANK, as Lender

By: 

Name: Clark Ferrif

Title: Managing Director

By: 

Name: Glen Cameron

Title: Director

ALBERTA TREASURY BRANCHES, as Lender

By: Mikael Sears
Name: Mikael Sears
Title: Director

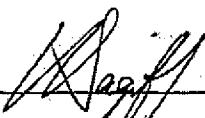
By: Kevin Kynoch
Name: Kevin Kynoch
Title: Director

UNION BANK, CANADA BRANCH, as Lender

By: _____

Name:

Title:



Larry McGriff
Vice President

By: _____

Name:

Title:

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

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

BETWEEN:

**ENDURANCE ENERGY LTD.
as Borrower**

- and -

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

- and -

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

- with -

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

- and with -

**BANK OF MONTREAL
as Syndication Agent**

PREAMBLE:

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

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

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

AGREEMENT:

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

1. **Definitions.** Capitalized terms used in this Second Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this Second Amending Agreement (the "Second Amendment Date").
3. **Borrowing Base.** The Parties acknowledge that the Borrowing Base as of the Second Amendment Date is \$260,000,000.
4. **Credit Card Increase.** Section 3.8(g) of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

“(g) under the Operating Facility only, a corporate credit card with a maximum limit of Cdn. \$100,000, or such other amount as may be agreed in writing by the Borrower and the Operating Lender,”
5. **Reserve Report.** Section 13.2(e)(i) of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

“by March 31 of each year, an independent economic and reserve evaluation report covering the oil and gas properties of the Loan Parties representing at least 90% of the then applicable PDP PV10, in form satisfactory to the Majority Lenders, acting reasonably, prepared, in the case of such independent reports, by an engineering firm acceptable to the Majority Lenders, with an effective date no earlier than January 1 of that year, together with an internally prepared reserve report covering the remaining oil and gas properties of the Loan Parties, with the same effective date as the independent report, in form satisfactory to the Majority Lenders, acting reasonably;
6. **Definitions.** The Parties hereby amend Schedule A of the Credit Agreement by inserting, in the appropriate alphabetical order, the following definitions:

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

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

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

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

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


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

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

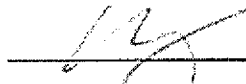
IN WITNESS WHEREOF, the Parties have caused this Second Amending Agreement to be duly executed by their respective authorized officers as of the Second Amendment Date.

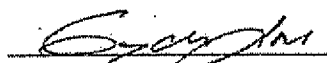
**ENDURANCE ENERGY LTD., as
Borrower**


Name: Kim Schoenroth
Title: Vice President & CFO


Name: Hugh McCaskill
Title: Vice President & COO


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

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

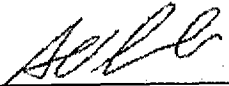
By: 
Name: GRAYDON FALLS
Title: Authorized Signatory

BANK OF MONTREAL,
as Lender

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

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

HSBC BANK CANADA, as Lender

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

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

THE TORONTO-DOMINION BANK, as Lender

By: 

Name: Clark Terriff

Title: Managing Director

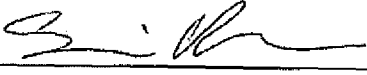
By: 

Name: Glen Cameron

Title: Director

ALBERTA TREASURY BRANCHES, as Lender

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

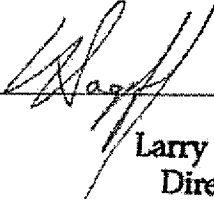
By: 
Name: **Sonia Barr**
Title: **Associate Director**

UNION BANK, CANADA BRANCH, as Lender

By: _____

Name:

Title:



Larry Sagriff
Director

By: _____

Name:

Title:

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

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

BETWEEN:

**ENDURANCE ENERGY LTD.
as Borrower**

- and -

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

- and -

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

- with -

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

- and with -

**BANK OF MONTREAL
as Syndication Agent**

PREAMBLE:

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

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

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

AGREEMENT:

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

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

Pricing Table

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

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

Facilities.

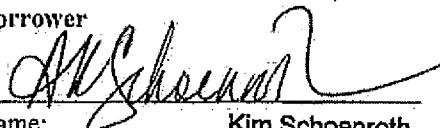
7. **Representations and Warranties.** To confirm each Lender's understanding concerning the Borrower and its business, properties and obligations, and to induce the Agent and each Lender to enter into this Third Amending Agreement, the Borrower hereby reaffirms to the Agent and each Lender that, as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

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

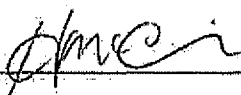
IN WITNESS WHEREOF, the Parties have caused this Third Amending Agreement to be duly executed by their respective authorized officers as of the Effective Date.

ENDURANCE ENERGY LTD., as

Borrower

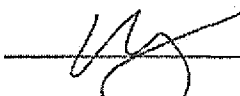



Name: Kim Schoenroth
Title: Vice President & CFO



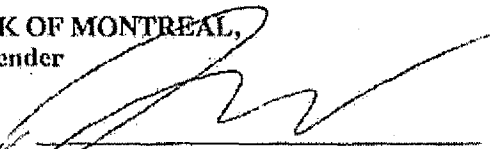
Name: Hugh McCaskill
Title: Vice President & COO

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

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

By: 
Name: _____ **Graydon Falls**
Title: Authorized Signatory **Authorized Signatory**


BANK OF MONTREAL,
as Lender

By: 
Name: Dana Fleury
Title: Director

By: 
Name: Brad Heck
Title: Managing Director

HSBC BANK CANADA, as Lender

By: 
Name: _____
Title: **Duncan Levy**
Director, Oil & Gas Corporate

By: 
Name: _____
Title: **ADAM LAMB**
Assistant Vice President
Oil & Gas Large Corporate

THE TORONTO-DOMINION BANK, as Lender

By:

Name:

Title:



Glen Cameron
Director

By:

Name:

Title:



Clark Terriff
Managing Director

ALBERTA TREASURY BRANCHES, as Lender

By: Mg Sears
Name: Mikael/Sears
Title: Director

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

By: _____
Name:
Title:

By: _____
Name: Larry Sagrith
Title: Director

UNION BANK, CANADA BRANCH, as Lender

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

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

BETWEEN:

**ENDURANCE ENERGY LTD.
as Borrower**

- and -

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

- and -

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

- with -

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

- and with -

**BANK OF MONTREAL
as Syndication Agent**

PREAMBLE:

- A. Pursuant to the Credit Agreement dated June 27, 2013, as amended by a first amending agreement dated March 31, 2014, a second amending agreement dated October 31, 2014 and a third amending agreement dated April 30, 2015 (collectively, the "Credit Agreement"), among Endurance Energy Ltd., as Borrower (the "Borrower"), Canadian

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

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

AGREEMENT:

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

1. **Definitions.** Capitalized terms used in this Fourth Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this Fourth Amending Agreement (the "Fourth Amendment Date").
3. **Amendments.** Effective as of the Fourth Amendment Date, the Credit Agreement is amended as follows:

- (a) Section 3.1 of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

"3.1 Revolving Syndicated Facility.

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

- (b) Each of Section 3.3(a), Section 3.5, Section 3.9(a), the last sentence of Section 3.9(d), Section 3.9(f), Section 3.10(d) and Section 5.2 are hereby amended by deleting each reference therein to "Credit Facility" or "Credit Facilities" and replacing them with "Revolving Facility" or "Revolving Facilities", as applicable;

- (c) Each of Section 3.3(a) and Section 3.3(b) of the Credit Agreement is hereby amended by inserting “of the Revolving Facilities” after each reference therein to Termination Date;
- (d) Each of Section 3.5, Section 3.7(a), Section 3.8(d), Section 5.2(c), Section 5.5, Section 5.6, Section 5.10, Section 6.4, Section 6.5, Section 7.1 and Section 9.1 of the Credit Agreement are hereby amended by deleting each reference therein to “Syndicated Facility” or “Syndicated Facilities” and replacing them with “Revolving Syndicated Facility” or “Revolving Syndicated Facilities”, as applicable;
- (e) Section 3.5 of the Credit Agreement is hereby amended by deleting each reference therein to “Syndicated Facility Lender” or “Syndicated Facility Lenders” and replacing them with “Revolving Syndicated Facility Lender” or “Revolving Syndicated Facility Lenders”, as applicable;
- (f) Each of Section 3.6 and Section 8.3(c) of the Credit Agreement are hereby amended by deleting each reference therein to “Syndicated Facility Commitment Amount” and replacing it with “Revolving Syndicated Facility Commitment Amount”;
- (g) Section 3.6 of the Credit Agreement is hereby amended by deleting the last sentence thereof and replacing it with the following:
- “Any prepayment or cancellation in respect of a Syndicated Facility will be made *pro rata* to all Lenders under such Syndicated Facility on the basis of each such Lender’s Rateable Portion of such Syndicated Facility.”
- (h) Section 3.7 of the Credit Agreement is hereby amended by adding as a new clause (c) the following:
- “(c) Non-Revolving Syndicated Facility. The Borrower will be entitled to use the proceeds of the Non-Revolving Syndicated Facility for the purposes of the repayment of a portion of the Aggregate Principal Amount owing under the Revolving Syndicated Facility.”;
- (i) Section 3.8 of the Credit Agreement is hereby amended by adding the words “under the Revolving Facilities only” to the beginning of clause (b) thereof;
- (j) Section 3.9 of the Credit Agreement is hereby amended by:
- (i) deleting the reference to “Closing Date” in clause (f) thereof and replacing it with “Fourth Amendment Date”; and
- (ii) adding thereto as a new clause (g) thereof the following:
- “(g) Non-Revolving Syndicated Facility. Notwithstanding the Pricing Table, the interest and fees payable by the Borrower in respect of the

Non-Revolving Syndicated Facility will be subject to the applicable margins set forth in the Pricing Table plus 200 Basis Points.”;

(k) Section 3.10 of the Credit Agreement is hereby amended by:

(i) deleting the reference to “as at the Closing Date is \$260,000,000” in clause (a) thereof and replacing it with “as at the Fourth Amendment Date is Cdn. \$245,000,000”;

(ii) deleting clause (b) thereof in its entirety and replacing it with the following:

“(b) Setting of Borrowing Base. A determination of the Borrowing Base will occur on May 31, 2016 and October 31, 2016 and semi-annually thereafter on April 30 and October 31 of each following year (or any portion thereof) any of the Credit Facilities remain available to the Borrower or any Obligations thereunder remain outstanding (in any such case, the “**Borrowing Base Date**”); provided that, notwithstanding the foregoing, an additional redetermination of the Borrowing Base will take place on March 31, 2016. In addition, the Majority Lenders reserve the right to cause a redetermination of the Borrowing Base (i) if the cumulative proceeds of Borrowing Base Dispositions since the last redetermination of the Borrowing Base exceeds 5% of the then current Borrowing Base, and (ii) if an event resulting in a Material Adverse Effect has occurred since the last Borrowing Base determination.”; and

(iii) deleting clause (g) thereof in its entirety and replacing it with the following:

“(g) Increase in the Borrowing Base. The Revolving Syndicated Facility Commitment Amount will not exceed \$185,000,000 and the Non-Revolving Syndicated Facility Commitment Amount will not exceed \$45,000,000 as a result of a Borrowing Base redetermination unless agreed by all of the Lenders, provided that, if a Lender does not consent to an increase in its Individual Commitment Amount resulting from a request for such an increase, the Borrower will be entitled to, but need not, either prepay all Obligations owing to the non-consenting Lender (subject to all prepayment provisions contained herein) without having to cause a similar prepayment to the then consenting Lenders and thereafter cancel such Lender’s Individual Commitment Amount or replace such non-consenting Lender with another Lender (which may be an existing Lender) acceptable to the Agent, acting reasonably, provided that such Lender agrees to assume all of the rights and obligations of such non-consenting Lender under this Agreement by delivering to the Agent and the Borrower a duly executed Assignment. The Operating Facility Commitment Amount will not as a result of the Borrowing Base redetermination exceed Cdn. \$15,000,000 without the consent of the Operating Lender.”;

- (l) The Credit Agreement is hereby amended by adding the following as a new Section 3.12:

“3.12 Non-Revolving Syndicated Facility.

Subject to the terms and conditions hereof and effective on the Fourth Amendment Date, the Lenders hereby establish the Non-Revolving Syndicated Facility in favour of the Borrower as a term, non-extendible, non-revolving credit facility. Accommodations under the Non-Revolving Syndicated Facility may be drawn down by the Borrower in Canadian Dollars to a maximum of the Non-Revolving Syndicated Facility Commitment Amount. The Individual Non-Revolving Syndicated Facility Commitment Amount of each of the Non-Revolving Syndicated Facility Lenders is set out in Schedule B. The Borrower may draw down the Non-Revolving Syndicated Facility by way of a one-time Drawdown on the Fourth Amendment Date (including by deeming a portion of the Aggregate Principal Amount owing under the Revolving Syndicated Facility to be owing under the Non-Revolving Syndicated Facility in a manner satisfactory to the Lenders). The Borrower agrees that, after giving effect to the preceding sentence, the Non-Revolving Syndicated Facility will be fully drawn on the Fourth Amendment Date. The Non-Revolving Syndicated Facility Commitment Amount will, subject to Section 3.13.(b) (a) reduce by Cdn. \$12,500,000 to Cdn. \$32,500,000 on March 31, 2016, (b) reduce by Cdn. \$12,500,000 to Cdn. \$20,000,000 on May 31, 2016, and (c) be fully repayable on November 30, 2016. The Non-Revolving Syndicated Facility will automatically reduce by the corresponding amount of any Principal Repayment made in respect thereof from time to time.”;

- (m) The Credit Agreement is hereby amended by adding the following as a new Section 3.13:

“3.13 Repayment under Non-Revolving Syndicated Facility.

(a) Repayment. The Aggregate Principal Amount under the Non-Revolving Syndicated Facility shall be due and payable on the Termination Date applicable thereto. In addition on March 31, 2016 and May 31, 2016, the Borrower will repay \$12,500,000 of the Aggregate Principal Amount under the Non-Revolving Syndicated Facility.

(b) Mandatory Prepayment. During the period beginning with the Fourth Amendment Date until and ending at such time as all Obligations under the Non-Revolving Syndicated Facility have been unconditionally and irrevocably repaid in full and the Non-Revolving Syndicated Facility Commitment Amount has been cancelled, the Borrower will make a repayment in an amount equal to:

- (i) 100% of the Net Cash Proceeds of any sale, exchange, lease, transfer or other disposition of any Loan Party’s oil and gas properties and related properties and facilities (other than any Permitted Disposition described in paragraphs (a), (b), (d) and (g) of the definition thereof)

within two Banking Days of receipt thereof, to be applied against the Aggregate Principal Amount of the Non-Revolving Syndicated Facility with a corresponding permanent reduction in the Non-Revolving Syndicated Facility Commitment Amount;

(ii) 100% of the Net Cash Proceeds of:

(A) any issuances of equity interests in the Borrower (other than issuances in connection with any issuances to employees, officers and directors of the Loan Parties in the ordinary course of business in connection with any stock based compensation); and

(B) any issuance or incurrence of any Indebtedness for borrowed money by any Loan Party (excluding Indebtedness described in paragraphs (a), (b), (d), (e), and (f) of the definition of Permitted Indebtedness), in either case within two Banking Days of receipt thereof, to be applied against the Aggregate Principal Amount of the Non-Revolving Syndicated Facility with a corresponding permanent reduction in the Non-Revolving Syndicated Facility Commitment Amount; and

(iii) 100% of the Net Cash Proceeds of any Hedge Monetization within two Banking Days of receipt thereof, to be applied against the Aggregate Principal Amount of the Non-Revolving Syndicated Facility with a corresponding permanent reduction in the Non-Revolving Syndicated Facility Commitment Amount.

Any payments made by the Borrower under this Section 13.3(b) will first apply against the next payment then due to be made under the Non-Revolving Syndicated Facility pursuant to Section 3.12 and will reduce the required amount of such next payment by a like amount.”;

(n) Section 5.8 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“5.8 Exchange Rate Fluctuations.

(a) Subject to Sections 5.8(b) and 5.9, if as a result of currency fluctuation, the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount owing to (i) the Lenders under the Revolving Facilities exceeds the lesser of the Borrowing Base and the aggregate of the Operating Facility Commitment Amount and the Revolving Syndicated Facility Commitment Amount, (ii) the Revolving Syndicated Facility Lenders under the Revolving Syndicated Facility exceeds the Revolving Syndicated Facility Commitment Amount, or (iii) the Operating Lender under the Operating Facility exceeds the Operating Facility Commitment Amount (in the case of (i), (ii) or (iii), the “Excess”), the Borrower will, within 3 Banking Days after a written request from the Agent, pay the applicable Excess to

the Agent as a Principal Repayment for the benefit of the applicable Lenders to be shared on the basis of each applicable Lender's Rateable Portion.

(b) If the applicable Excess represents an amount which is less than 3% of the lesser of (i) the then current Borrowing Base and (ii) the aggregate of the Revolving Syndicated Facility Commitment Amount and the Operating Facility Commitment Amount, then the Borrower will only be required to repay the applicable Excess on the earlier of the next Rollover Date or Conversion Date and 30 days after written request from the Agent.”;

- (o) Each of Section 6.3, Section 6.4 and Section 6.5 are hereby amended by deleting the references therein to “Lender” and “Lenders” and replacing it with “Revolving Syndicated Facility Lender” or “Revolving Syndicated Facility Lenders” as applicable;
- (p) Section 6.3 of the Credit Agreement is hereby amended by deleting the references therein to “(under the Syndicated Facility)” and “relevant to the Syndicated Facility”;
- (q) The Credit Agreement is hereby amended by adding the following as a new Section 16.6:

“16.6 Adjustments.

After all Obligations are declared by the Agent to be due and payable pursuant to Section 16.2, (i) each Lender agrees that it will at any time or from time to time thereafter at the request of the Agent as required by any Lender, purchase at par on a non-recourse basis a participation in the Aggregate Principal Amount owing to each of the other Lenders and make any other adjustments as are reasonably necessary or appropriate (including indemnities for any then outstanding Letters of Credit, Bankers' Acceptances and LIBOR Based Loans), in order that the Aggregate Principal Amounts owing to each of the Lenders, as adjusted pursuant to this Section 16.6, will be in the same proportion as each Lender's Individual Commitment Amount was to the Commitment Amount immediately prior to the Event of Default resulting in such declaration, and (ii) the amount of any repayment made by or on behalf of the Loan Parties under the Loan Documents or any proceeds received by the Agent or the Lenders pursuant to Section 16.4(c) will be applied by the Agent in a manner such that to the extent possible the amount of the Aggregate Principal Amount owing to each Lender after giving effect to such application will be in the same proportion as each Lender's Individual Commitment Amount was to the Commitment Amount immediately prior to the Event of Default resulting in such declaration.”;

- (r) Schedule A to the Credit Agreement is hereby amended as follows:
 - (i) the definition of “Borrowing Base Disposition” as set forth therein is amended by deleting it in its entirety and replacing it with the following:

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

- (ii) the definition of “Commitment Amount” as set forth therein is amended by deleting it in its entirety and replacing it with the following:

“**Commitment Amount**” means the aggregate of the Operating Facility Commitment amount, the Revolving Syndicated Facility Commitment Amount and the Non-Revolving Facility Commitment Amount.”;

- (iii) the definition of “Credit Facilities” as set forth therein is amended by deleting the reference to “and Syndicated Facility” and replacing it with “Revolving Syndicated Facility and the Non-Revolving Syndicated Facility”;

- (iv) the definition of “Individual Syndicated Facility Commitment Amount” as set forth therein is deleted in its entirety and replaced with the following:

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

- (v) the definition of “Lenders” as set forth therein is amended by deleting the reference to “Syndicated Facility Lenders” and replacing it with “Revolving Syndicated Facility Lenders, Non-Revolving Syndicated Facility Lenders”;

- (vi) the definition of “Net Cash Proceeds” as set forth therein is hereby amended by adding the words “(or for purposes of Section 3.13(b), any other deposition or equity issuance)” after the words “Borrowing Base Dispositions” upon each occurrence thereof therein;

- (vii) the definition of “Rateable Portion” as set forth therein is hereby amended by deleting clause (a) thereto and replacing it with the following:

“(a) in respect of any Syndicated Facility, the proportion of the Individual Commitment Amount of each Lender thereunder relative to the aggregate of the Individual Commitment Amount of Lenders under such Syndicated Facility.”;

- (viii) the definition of “Syndicated Facility” as set forth therein is deleted in its entirety, replaced with the following and set in appropriate alphabetical order:

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

- (ix) the definition of “Syndicated Facility Commitment Amount” as set forth therein is deleted in its entirety, replaced with the following and set in appropriate alphabetical order:

“ **“Revolving Syndicated Facility Commitment Amount”** means Cdn. \$185,000,000, as such amount may be reduced in accordance with this Agreement or increased with the unanimous consent of the Revolving Syndicated Facility Lenders.”;

- (x) the definition of “Syndicated Facility Lenders” as set forth therein is deleted in its entirety, replaced with the following and set in appropriate alphabetical order:

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

- (xi) the definition of “Termination Date” as set forth therein is deleted in its entirety and replaced with the following:

“ **“Termination Date”** means (a) in respect of the Revolving Facilities as of the Fourth Amendment Date, June 27, 2018, as such date may be extended in respect of any Lender pursuant to Section 3.3, and (b) in respect of the Non-Revolving Syndicated Facility, November 30, 2016.”;

- (xii) by adding the following definitions in the appropriate alphabetical order:

“ **“Fourth Amendment Date”** means December 29, 2015.”;

“ **“Hedge Monetization”** means the termination, restructuring or unwinding of any Hedging Agreement (but, for certainty, excluding the termination thereof on the scheduled maturity date thereof) in respect of commodity prices which was in effect as of the last Borrowing Base determination which has resulted in proceeds being paid to a Loan Party.”;

“ **Individual Non-Revolving Syndicated Facility Commitment Amount**” means in respect of a Non-Revolving Syndicated Facility Lender, the amount set forth opposite its name under the heading “Non-Revolving Syndicated Facility” in Schedule B.”;

“ **Non-Revolving Syndicated Facility**” means the credit facility established in favour of the Borrower pursuant to Section 3.13.”;

“ **Non-Revolving Syndicated Facility Commitment Amount**” means \$45,000,000, as such amount may be reduced in accordance with this agreement.”

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

“ **Revolving Facilities**” means, collectively, the Revolving Syndicated Facility and the Operating Facility, and “Revolving Facility” means either of them.”; and

“ **Syndicated Facilities**” means collectively the Revolving Syndicated Facility and the Non-Revolving Syndicated Facility, and “Syndicated Facility” means either of them.”;

(s) Schedule B to the Credit Agreement is hereby deleted in its entirety and replaced with Exhibit 1 attached hereto;

(t) Schedule D to the Credit Agreement is hereby amended by adding the following as a new clause 9 thereto:

“9. The cumulative proceeds received by the Borrower in respect of Borrowing Base Dispositions since the date of the last determination of the Borrowing Base is \$_____.”; and

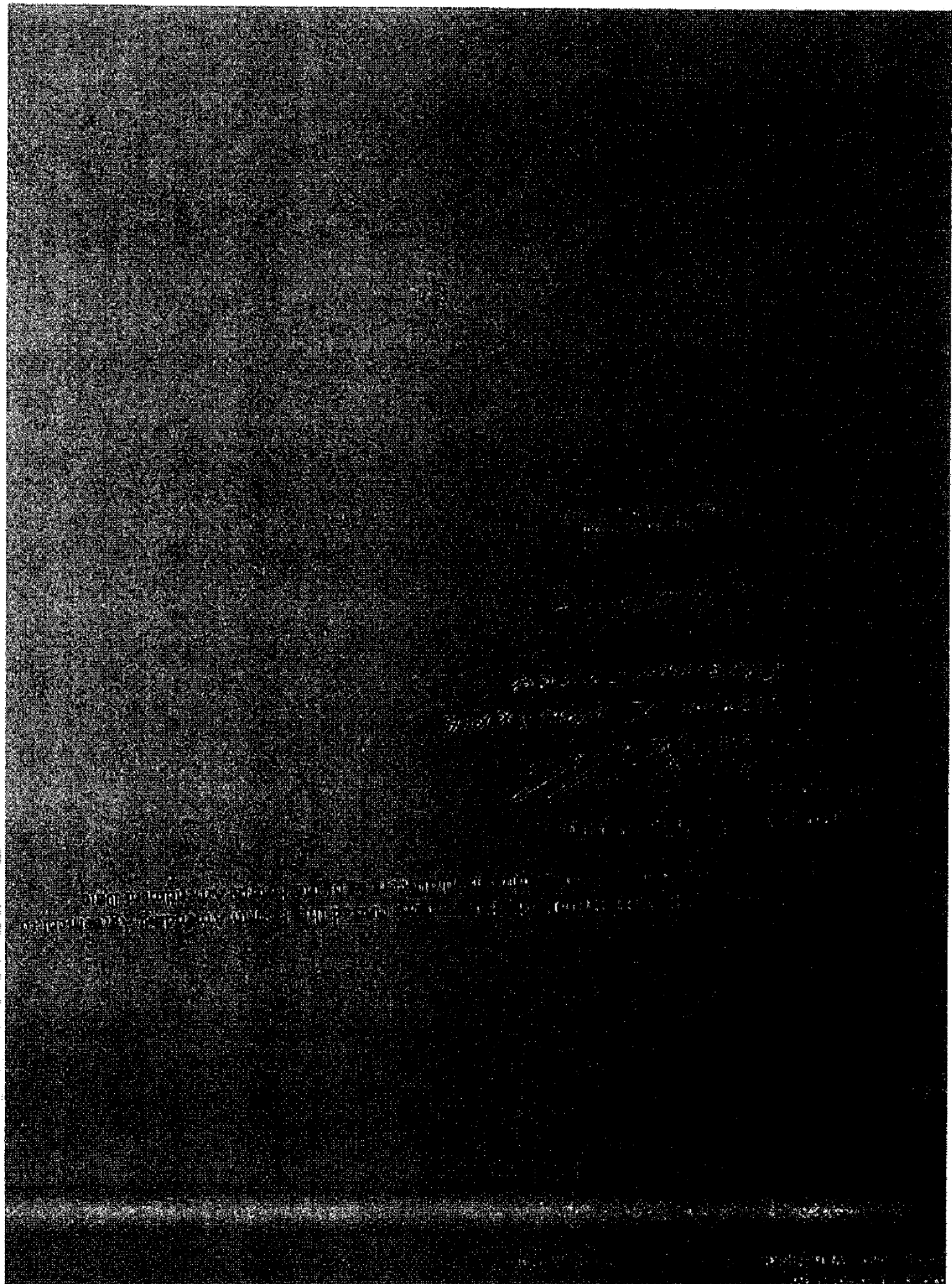
(u) Schedule F to the Credit Agreement is hereby deleted in its entirety and replaced with Exhibit 2 attached hereto.

4. **Representations and Warranties.** To confirm each Lender’s understanding concerning the Borrower and its business, properties and obligations, and to induce the Agent and each Lender to enter into this Fourth Amending Agreement, the Borrower hereby reaffirms to the Agent and each Lender that, as of the date hereof, its representations and warranties contained in Section 12.1 of the Credit Agreement, except to the extent such representations and warranties relate solely to an earlier date, are true and correct in all


material respects and additionally represents and warrants as follows:

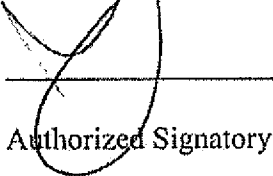
- (a) the execution and delivery of this Fourth Amending Agreement and the performance by it of its obligations under this Fourth Amending Agreement: (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary governmental approvals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

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



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

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


By: _____
Name:  Craig Werbicki
Title: Authorized Signatory Authorized Signatory

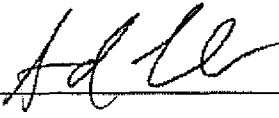
BANK OF MONTREAL,
as Lender

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

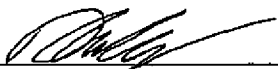
By: _____
Name: _____
Title: _____

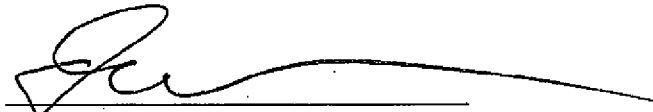
HSBC BANK CANADA, as Lender

By: 
Name: **Oyewole Fasehun**
Title: **Analyst, Large Corporate Oil & Gas**

By: 
Name: **ADAM LAMB**
Title: **Assistant Vice President
Oil & Gas Large Corporate**


THE TORONTO-DOMINION BANK, as Lender

By: 
Name: David Radomsky
Title: Managing Director

By: 
Name: Glen Cameron
Title: Director

ALBERTA TREASURY BRANCHES, as Lender

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

By: 
Name: _____
Title: **Clayton Martin**
Director Energy

UNION BANK, CANADA BRANCH, as Lender

By: 

Name:

Beau Filkowski

Title:

Vice President

By: _____

Name:

Title:

EXHIBIT 1

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

INDIVIDUAL COMMITMENT AMOUNTS OF LENDERS

<u>Lenders</u>	<u>Non- Revolving Syndicated Facility Commitment Amount (Cdn.\$)</u>	<u>Revolving Syndicated Facility Commitment Amount (Cdn.\$)</u>	<u>Operating Facility Credit Agreement (Cdn. \$)</u>	<u>Total (Cdn. \$)</u>
Canadian Imperial Bank of Commerce	\$10,300,000	\$31,200,000	\$15,000,000	\$56,500,000
Bank of Montreal	\$10,300,000	\$46,200,000		\$56,500,000
HSBC Bank Canada	\$6,100,000	\$26,900,000		\$33,000,000
	\$6,100,000	\$26,900,000		\$33,000,000
The Toronto-Dominion Bank				
Alberta Treasury Branches	\$6,100,000	\$26,900,000		\$33,000,000
Union Bank, Canada Branch	\$6,100,000	\$26,900,000		\$33,000,000
Total Syndicated Facilities Commitment Amount	\$45,000,000	\$185,000,000	\$15,000,000	\$245,000,000

EXHIBIT 2

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

FORM OF NOTICE OF BORROWING

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

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

DATE: [•]

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

Revolving Syndicated Facility:

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

Non-Revolving Syndicated Facility:

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

Operating Facility:

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

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

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

ENDURANCE ENERGY LTD.

Per: _____
Name: [•]
Title: [•]