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JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER 1601-06765
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF ENDURANCE ENERGY LTD.
DOCUMENT **EIGHTH REPORT OF FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR OF ENDURANCE
ENERGY LTD.**

October 5, 2016

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
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INTRODUCTION

1. On May 30, 2016, Endurance Energy Ltd. (“**Endurance**” or the “**Applicant**”) sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”). The proceedings commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. The Initial Order granted, *inter alia*, (i) a stay of proceedings against the Applicant until and including June 29, 2016 (the “**Stay Period**”), (ii) appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”), (iii) approving the DIP Facility Loan Agreement between the Company and WP Private Equity XI Inc. (the “**Interim Lender**”) for interim funding during the CCAA Proceedings (the “**DIP Facility**”) and (iv) approving the engagement of BMO Nesbitt Burns Inc. as the Company’s financial advisor (the “**Financial Advisor**”).
3. Also on May 30, 2016, this Honourable Court granted an order (the “**Sale Process Order**”) which, *inter alia*, approved a sale process (the “**Sale Process**”) as set out in Schedule “A” to the Sale Process Order.
4. On June 15, 2016, this Honourable Court granted an Amended and Restated Initial Order which, *inter alia*, reduced the amount of the Administration Charge from \$2.5 million to \$1.5 million and included the fees of the Lender’s professional advisors in the Administration Charge. The Initial Order and the Amended and Restated Initial Order will be referred to hereinafter collectively as the “**Initial Order**”.

5. On June 22, 2016, after subsequent court hearings on June 8 and June 15, the stakeholders agreed on an amended Sale Process and this Honourable Court granted an order approving the amended Sale Process (the “**Sale Process and Interim Financing Order**”) which, *inter alia*, amended Schedule “A” of the Sale Process Order and approved the Amended and Restated DIP Facility Loan Agreement (the “**DIP Agreement**”).
6. On June 27, 2016, this Honourable Court granted an order which, *inter alia*, extended the Stay Period to and including August 5, 2016.
7. On August 2, 2016, this Honourable Court granted an order (the “**KERP and KEIP and Stay Extension Order**”) which, *inter alia*, authorized and approved the KERP and KEIP and granted the KERP Charge and KEIP Charge and extended the Stay Period to and including August 31, 2016.
8. On August 26, 2016, this Honourable Court granted an order which, *inter alia*, extended the Stay Period to and including September 30, 2016.
9. On September 2, 2016, this Honourable Court granted an order (the “**DIP Extension Order**”) which, *inter alia*, approved the Amending Agreement to the DIP Agreement which extended the maturity date to September 30, 2016 (the “**Maturity Date**”).
10. On September 27, 2016, this Honourable Court granted an order (the “**Sale Approval and Vesting Order**”) which, *inter alia*, approved the Transactions (as defined in Sale Approval and Vesting Order) and extended the Stay Period to and including November 25, 2016.

PURPOSE

11. The purpose of this eighth report of the Monitor (the “**Eighth Report**”) is to provide to this Honourable Court the Monitor’s comments with respect to:
 - (a) the activities of the Monitor since the Seventh Report dated September 23, 2016; and
 - (b) the proposed Second Amending Agreement to the DIP Agreement (“**Second DIP Amending Agreement**”).

TERMS OF REFERENCE

12. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicant, the Applicant’s books and records, certain financial information prepared by the Applicant and discussions with various parties, including senior management (“**Management**”) of the Applicant (collectively the “**Information**”). Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
13. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook. Future oriented financial information reported or relied on in preparing this report is based on Management’s assumptions regarding future events and actual results may vary from forecast and such variations may be material.

14. Further background and information regarding the Applicant's and these CCAA Proceedings can be found on the Monitor's website at <http://cfcanada.fticonsulting.com/endurance>.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein have the meaning defined in the Initial Order and the Second DIP Amending Agreement.

ACTIVITIES OF THE MONITOR

16. Since the date of the Seventh Report, the Monitor has engaged in discussions with various stakeholders, including counsel to the Applicant's syndicate of lenders (the "**Lenders**") and other creditors, regarding:
 - (a) the Transactions;
 - (b) items required to close the Transactions and the transition/wind-down that will be required after the closing of the Transactions; and
 - (c) the Second DIP Amending Agreement and other administrative matters.
17. The Monitor has continued to review the Applicant's cash disbursements on a weekly basis and has advised the Applicant with respect to the reporting as required by the Interim Lender.

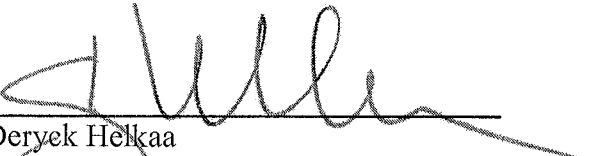
SECOND DIP AMENDMENT AGREEMENT

18. On September 2, 2016, this Honourable Court granted the DIP Extension Order which extended the DIP Facility Maturity Date to September 30, 2016.
19. An event of default has occurred pursuant to the terms of the DIP Agreement as a result of the Company's failure to repay the amounts outstanding by the Maturity Date.
20. The Applicant continued discussions with the Interim Lender that has resulted in the Second DIP Amending Agreement which extends the Maturity Date to the earlier of (i) the closing of the Transactions, or (ii) October 30, 2016. The amendment fee for the further extension of the Maturity Date is \$120,000.
21. The Cash Flow Statement provided to this Honourable Court in connection with the Receiver's Seventh Report demonstrates that the Company will not require further funding under the DIP Facility during the Stay Period. Furthermore, the closing of the Transactions is expected to occur prior to October 30, 2016.
22. In the Monitor's view, the terms of the Second DIP Amending Agreement, including the extension fee, are reasonable in the circumstance and should provide the Applicant with sufficient time to close the Transactions. In addition, the Monitor understands that the Lenders have agreed to the terms of the Second DIP Amendment Agreement, including the extension fee.

RECOMMENDATIONS

23. The Monitor respectfully recommends that this Honourable Court to approve the Applicant's request to enter into the proposed Second DIP Amending Agreement.

All of which is respectfully submitted this 5th day of October, 2016.



Deryek Helkaa
Senior Managing Director,
FTI Consulting Canada Inc.